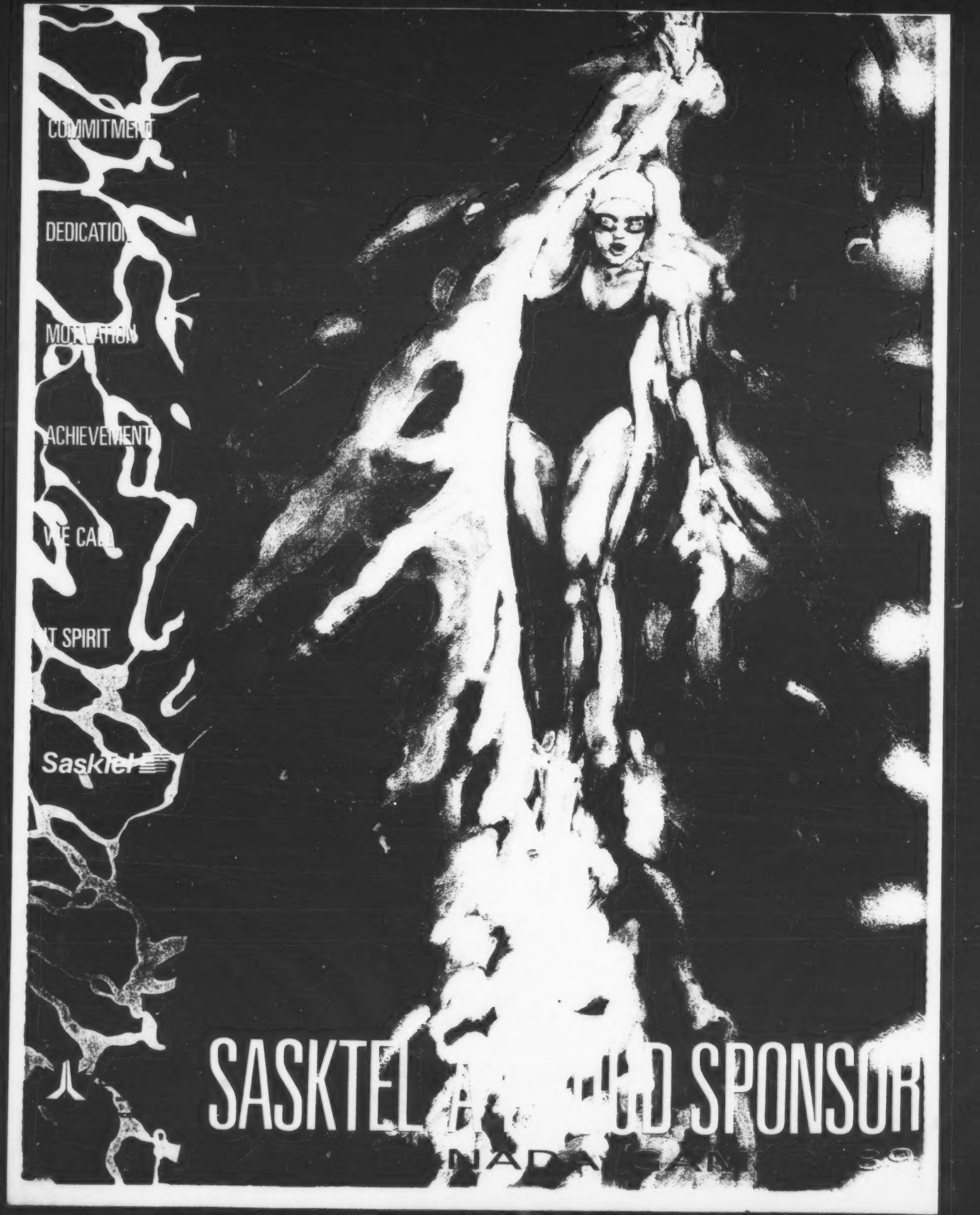
SaskTel

Annual Report

1989 Canada Games success

SaskTel Cellular
First in Saskatchewan


COMMITMENT
DEDICATION
MOTIVATION
ACHIEVEMENT
WE CARE
IT SPIRIT
Sasktel
SASKTEL
NADA

SaskTel

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Annual Report

On the cover

SaskTel was a major sponsor of the 1989 Jeux Canada Games held at Saskatoon in August. The corporation contributed to the Games' outstanding success by supplying a sophisticated telecommunications network which included SaskTel Cellular service.

Shown at the opening ceremonies with their cellular telephones as Saskatchewan athletes pass in review are Fred Henderson (left) and Neil Paetsch, two members of the SaskTel team that helped install and maintain communication facilities for the Games.

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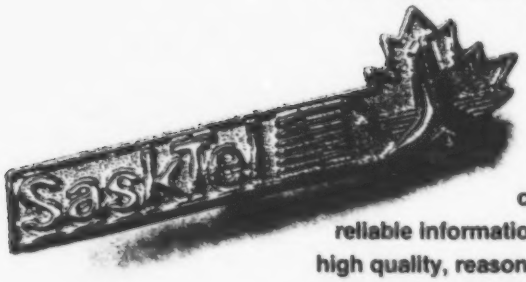
Corporate profile

Saskatchewan Telecommunications (SaskTel) is the provincially owned crown corporation responsible for providing local, long distance and related data and image telecommunications services to the people of Saskatchewan. Similar services are offered nationally and internationally through the corporation's membership in Telecom Canada.

The corporation employs 4,400 people; the majority located in Regina (head office) and Saskatoon. Employees are also located in 65 other communities throughout the province.

SaskTel dates back to 1908 when the Department of Railways, Telegraphs and Telephones was established by an act of the Saskatchewan Legislature. In 1947 it became a crown corporation known as Saskatchewan Government Telephones (SGT). The name was changed to Saskatchewan Telecommunications (SaskTel) in 1969 to reflect the growing diversification of its many products and services.



Today, SaskTel is a market-driven, technological leader in the telecommunications industry. The corporation responds quickly to diverse customer needs for efficient, reliable information products and services. It provides high quality, reasonably priced services by applying the latest technological advances in the most economical way.

Letter of transmittal

Regina, Saskatchewan
March 28, 1990

To Her Honour
The Hon. Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1989, including the financial statements, duly certified by auditors for the corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Act.

I have the honour to be,
Your obedient servant,

Hon. J. Gary Lane, Q.C.
Minister Responsible for
Saskatchewan Telecommunications

President's report

I am pleased to report that SaskTel in the 1980s undertook a decade of aggressive growth and development, and will enter the 1990s with a solid financial and technological foundation.

Equally important, the company will enter the new decade well-endowed with people whose talent and commitment to excellence ensures that SaskTel will remain focused on improving service to its customers and on its leadership in technology.

The telecommunications industry has made dramatic strides throughout SaskTel's 81 years. This was especially pronounced during the 1980s. The next decade will be distinguished by an even greater pace of technological and regulatory change; by the year 2000 our industry is likely to bear little resemblance to what it is today.

Telecommunications is a leading partner in the phenomenon sometimes called the Information Age. That name signals a transition, a merging of telecommunications and other information-based industries, brought about by the new technologies and a marketplace anxious to benefit from these advances.

Three key factors will determine the success of the company during the transitions of the 1990s — technology, regulation and people.

Salute to employees

Two of these factors, technology and people, are interdependent. Advanced technologies have been at the centre of the company's development strategy, making SaskTel an acknowledged leader in a number of areas. That leadership is evident in our equipment, our software programs and our networks, but the substance is SaskTel's people, who are leaders in adapting these new technologies to our unique geography and in adjusting to the demands of an evolving business environment.

Accordingly, a portion of this annual report is devoted to bringing well-deserved attention to the accomplishments of the men and women of SaskTel who individually and in groups build, operate and maintain one of the finest telecommunications systems in Canada.

There are no mysteries or closely-guarded secrets behind their very considerable achievements. Granted, there have been some fortunate timing and good leadership over the years. What gives expression to good timing and good leadership are the skills and the commitment of people who continually look for better ways to meet the needs of our customers and thus contribute directly to the success of the company.

While SaskTel people have met and mastered numerous challenges over the past 81 years, our biggest challenges may very well lie just ahead. Forecasts within the industry are that more change will occur in telecommunications in the next 24 to 36 months than has occurred during the past generation. These predictions leave little doubt that the skills of SaskTel people will be challenged and each will be tested as never before.

I am confident that we will continue to bring that same dedication to our customers and commitment to excellence, as we encounter further changes in technologies, new and changing markets, new customer requirements, expanding competition, regulatory changes, new products and services, evolving job requirements, and adjustments to operations as a company to meet these challenges.

Regulatory uncertainty

Throughout the year the uncertainty continued over the third element that will determine our future: regulation.

At year end, the federal-provincial jurisdictional question remained unresolved and with it the question of whether decisions concerning the future direction of telecommunications services for our customers will be made in Saskatchewan or Ottawa.

It is certain that regulated market sharing in long distance would, if approved by the CRTC, adversely affect SaskTel's services by reducing the revenues that SaskTel currently receives from long distance services. Lower long distance revenues would jeopardize future capital projects designed to deliver the benefits of technological advances to our customers as well as result in substantial increases in the price for basic telecommunications service to all of the Saskatchewan population.

Canada Games

Our annual report this year also features the Jeux Canada Games

held in Saskatoon last summer, in which SaskTel was a major sponsor. This represented a change in and an extension of the company's marketing activities, incorporating event sponsorship as a means of conveying to our customers information about products and services of interest to them.

We were gratified by the strong customer and public support for this initiative, and proud of the SaskTel people who devoted thousands of volunteer hours to help make the Games an outstanding success for the athletes, fans and the province.

The Games provided the company with the opportunity to introduce to a wide audience our cellular telephone service, which officially began operating a few days prior to the opening of the Games. SaskTel Cellular undertook an aggressive expansion of facilities during the latter half of the year. By year end, SaskTel Cellular was offering service in most major centres and along the principle highway routes in the province. This aggressive expansion of service is to continue in 1990.

Major projects

During the year, SaskTel moved into the latter phases of the five-year, $264 million Individual Line Service program, bringing the benefits of urban-quality telecommunications services to more than 73,000 customers in rural areas of the province. The ILS program, due to be completed in early 1991, provides access to advanced telecommunications and data services, and enables the use of equipment such as on-line data terminals, personal computers and facsimile machines.

A direct benefit of this program will be the development and growth of enterprises in rural areas, made possible because their location no longer is an impediment to maintaining contact with provincial, national and international customers and suppliers.

Two other major construction programs, announced in 1988, were on schedule: the conversion to digital technology of our switching centres and our provincial network. These programs, involving an investment of $274 million, will provide Saskatchewan people with access to the latest in advanced communications technology. Both programs are scheduled to be completed in 1994.

TeleBonds

SaskTel's first venture into raising funds within the province for capital projects was undertaken very successfully in 1989. The TeleBond campaign to raise $100 million attracted more than 33,500 applications involving purchases of more than $106 million. Two kinds of bonds were offered, a standard interest-earning savings bond and an innovative credit bond by which holders receive the interest in the form of a credit toward their monthly telephone charges.

The credit bond received a very positive response, particularly for a new type of bond, and represented about one-third of the total amount purchased.

Earnings strong

I am pleased to report that SaskTel's net earnings for 1989 were $77.8 million on revenues of $553.5 million, and compares with net earnings the previous year of $70.1 million on revenues of $513.4 million. This is the sixth consecutive year in which net earnings have exceeded $35 million.

The company's strong revenue picture in 1989 results from continuing efforts to improve operating efficiencies and from an on-going increase in the demand for our products and services, particularly long distance services. The number of toll messages completed during the year was 135.4 million compared with 125.8 million in 1988.

Employee ownership

During the year SaskTel also completed the sale of its directory operations to a group led by former SaskTel directory employees. The company, DirectWest Publishers Ltd., is 46 percent owned by a labour-sponsored venture capital corporation established by the employees, 44 percent by Brigdens Printing and Publishing Ltd. and 10 percent by SaskTel.

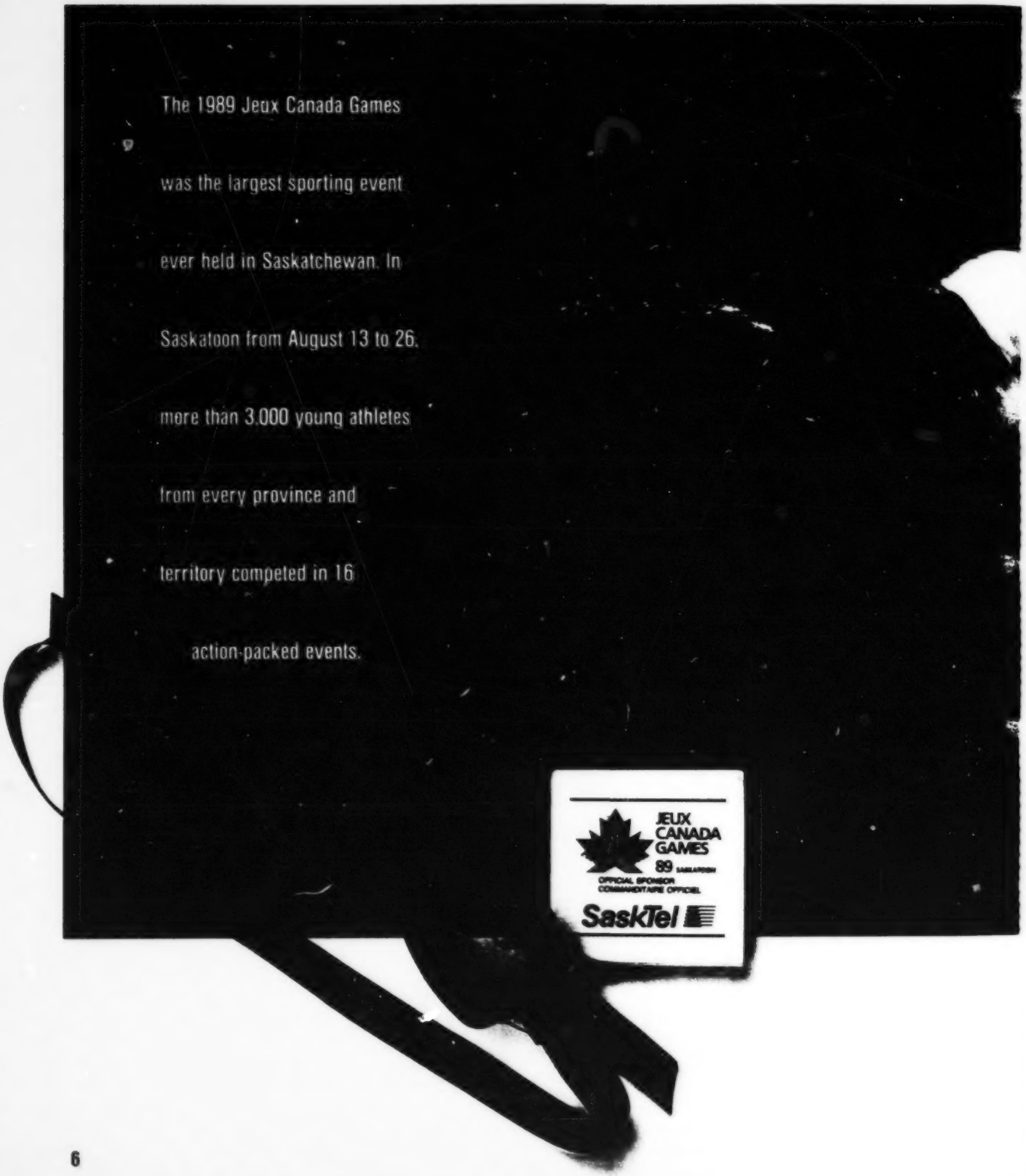
A long-term contract was completed during the year between DirectWest and SaskTel assuring the company of continuity in the production of its 10 annual telephone directories. The new arrangement leaves DirectWest and its employee-owners free to enter additional markets.

In late 1989, the province lost an outstanding citizen and SaskTel a valued friend. Lyle Taylor of Melfort, who passed away on November 14 following a lengthy illness, was deeply interested in SaskTel and made important contributions to the success of the company during the seven years he served on the Board of Directors.

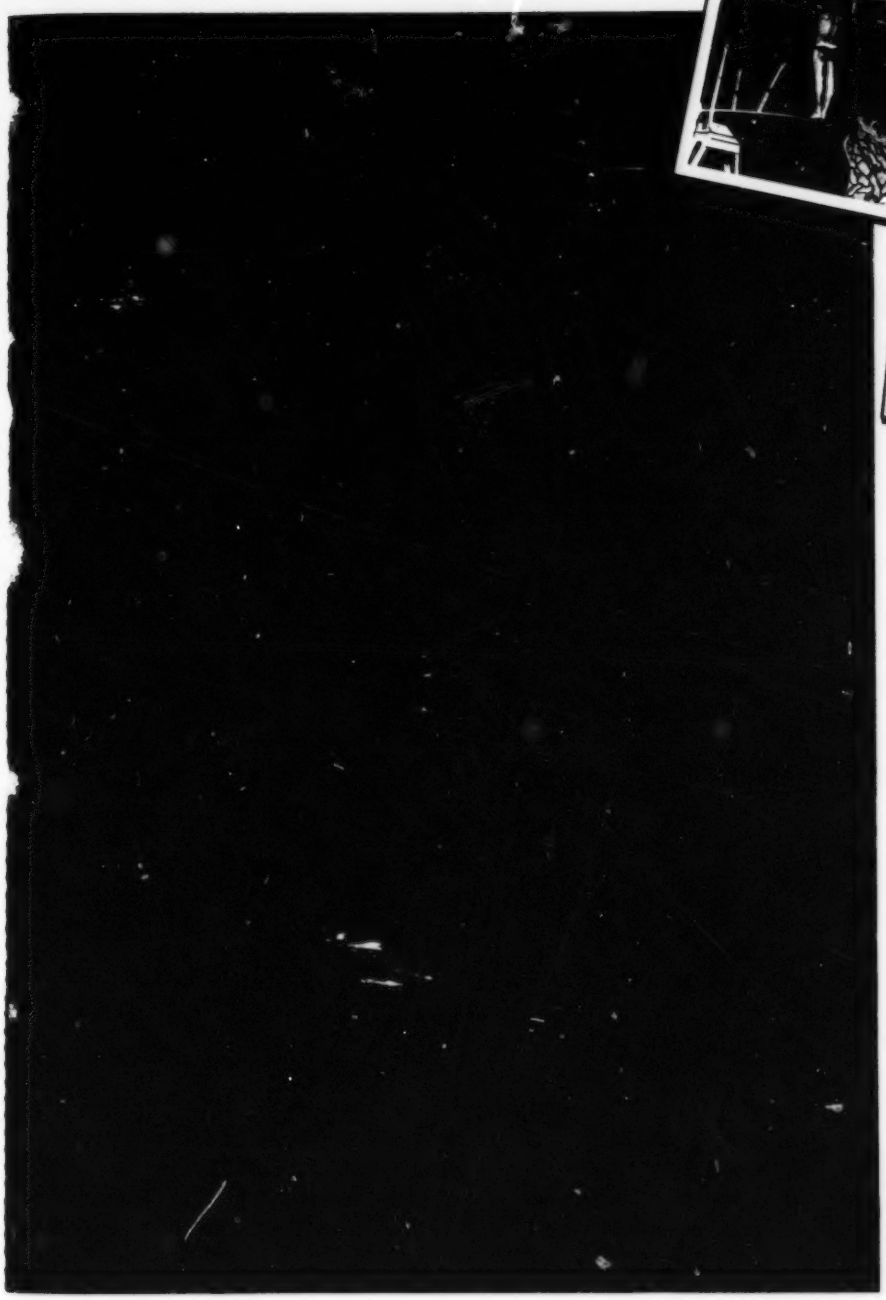
Four board members retired during the year. I would like to extend my sincere appreciation to Garth Kennedy, former chairman of the board, and board members Helen Krozser, Jack McFaull and Dick Carter, and recognize their contributions to SaskTel during their terms. I would also like to express my appreciation to our minister, the Hon. Gary Lane, to the Government of Saskatchewan and to our Board of Directors, for their continuing support and wise counsel throughout the year.

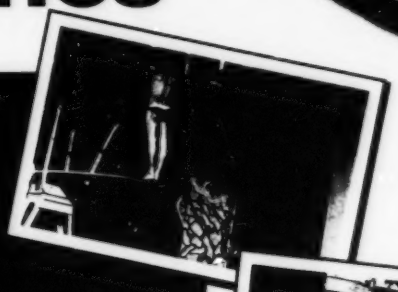
James A. Coombs
President and
Chief Executive Officer

SaskTel at the 1989 Jeux



Canada Games





A proud sponsor

SaskTel was a major sponsor of the Games and the exclusive sponsor of the swimming and diving venues. The significant resources the corporation brought to the Games contributed to the overall success of this national event. In addition to making a financial contribution, SaskTel installed and maintained a sophisticated communications system.

SaskTel also sponsored a number of activities to promote the Games and to honour athletes and their parents. Five luncheons to recognize the important role Saskatchewan parents play in the success of every athlete were held across the province during July and August. SaskTel received accolades for hosting two large receptions in Saskatoon during the Games, one for all swimming athletes and a second for all competitors in diving events.

A showcase for technology

The Games provided a bold new way for SaskTel to showcase its products and services, including cellular service, which had been introduced to Saskatchewan customers a few days prior to the start of competition.

An extensive communications network for the Games drew heavily on the resources of virtually every SaskTel department. Coordinated teamwork, combined with technical skill and the careful management of critical support systems linking voice, data and video facilities, helped organizers make sure that every event ran smoothly.

Planning for telecommunications facilities began months before the pageantry of the opening ceremonies. Besides a complex web of voice and data circuits, SaskTel provided more than 300 telephones, 260 pagers, 155 portable radios, 75 cellular phones, 67 mobile radios, 13 public address systems, five base stations and several facsimile machines.

A communications centre at the University of Saskatchewan linked all venue locations. The corporation provided circuits and modems to transmit the results from each competition to a main computer. Games executives and SaskTel employees, who made a commitment to be on-site within minutes to resolve quickly any technical difficulties, used cellular phones for instant communication.

Although more than 100,000 people attended various events during the two-week period, hundreds of thousands more throughout Canada watched television coverage of Canada's finest young athletes in the heat of competition. SaskTel provided all video links and cable facilities needed by television broadcasters.

An innovative English and French voice messaging centre provided callers with up-to-date information about cultural events, ticket information, and schedule changes. The Aspen system, which handled about 500 calls a day, allowed callers to access desired information by pressing the appropriate number on a telephone key pad.

Marketing opportunities

The 1989 Jeux Canada Games also gave SaskTel an opportunity to strengthen its ties with its business customers. Two reception areas were set up, one at the Ramada Renaissance Hotel and another at the Harry Bailey Aquatic Centre.

Displays at the two centres gave customers a chance to take a first-hand look at the very latest business communications systems available. Marketing representatives were on hand to explain SaskTel's many new products and services.

SaskTel also presented an on-going legacy to the City of Saskatoon as a result of its corporate sponsorship of the Games, by finishing the interior of the VIP room in the Harry Bailey Aquatic Centre. The City now uses the Gill McCormick Room as a warm-up and training room. It was named after Gill McCormick, a past SaskTel president, in recognition of a career which spanned more than 50 years with the corporation.

SaskTel President Jim Coombs signals victory with Saskatchewan's Jeff Bacon, gold medalist in the men's platform diving competition at the 1989 Jeux Canada Games.

Volunteers key to success

The outstanding success of the Games can be attributed to the thousands of volunteers who brought the people and events together.

Hundreds of SaskTel volunteers gave generously of their after-hours time and talents, working long hours before the Games and during the event itself. SaskTel employees were involved in virtually every aspect of the Games — serving on the Games' Board of Directors, chairing or being members of committees and sub-committees that planned and implemented operational strategies, and working as tour guides and Games mascots.

The sense of pride and team spirit that grew throughout the event has already carried over into the day-to-day contact between employees and their customers.

***Dave Trann** was Nipawin's 1989 Citizen of the Year. He manages the town's Double-A Bantam hockey team, serves as a Canadian Ski Patroller, and has worked in numerous positions with the Minor Hockey league, Kinsmen and Board of Directors of the Regional Park. At SaskTel, his diverse responsibilities range from installing telephones and business switchboards to tracing central office line assignments. "I like to do things well," he says. "I'm pretty hard on myself and expect a lot from other people."*

Cellular service for Saskatchewan

SaskTel Cellular telephone service came to Saskatchewan in early August — just in time for the 1989 Jeux Canada Games. On August 8, Hon. J. Gary Lane, Minister Responsible for SaskTel, made the first official cellular telephone call to Tony Dagnone, president of the Games.

In the fast-paced world of personal communications, cellular telephones are today's hottest and most competitive market. Business customers choose cellular service for a wide variety of reasons — to turn wasted driving time into productive time and to stay in constant touch with their offices and business associates. On the personal side, customers use cellular telephones to call for help in the case of emergencies, to get enroute directions or to stay in touch with their families.

Extensive coverage and support

SaskTel's cellular service is the most extensive in the province. When it was inaugurated on August 8, it covered Regina, Saskatoon and Moose Jaw; along Highway 11 between Regina and Saskatoon; and from Moose Jaw to Grenfell along the Trans-Canada Highway. A week later coverage was expanded to Lloydminster, North Battleford and Estevan. By year end, the service had been extended across Saskatchewan along all sections of the Trans-Canada Highway; along Highway 16 from Saskatoon to Lloydminster; and in the southeastern oilpatch, including Weyburn; and along Highway 39 between Weyburn and Estevan.

SaskTel selected the coverage areas after extensive research and consultation with customers to pin-point areas with the greatest demand.

Cellular customers receive local sales and service support from more than 100 authorized SaskTel Cellular dealers, in addition to SaskTel Business Centres and Telmarts throughout the province. SaskTel Cellular customers receive comprehensive national and international coverage, service and support through SaskTel's association with CellNet Canada, the partnership of cellular businesses affiliated with Telecom Canada companies.

SaskTel Cellular service includes four standard custom calling features — call waiting, call forwarding, call transfer and three-way calling. Voice messaging/paging is an extra-cost option. SaskTel offers a number of high-quality models, including cellular mobile telephones, cellular transportables and the popular hand-held units. All have a wide range of easy-to-use features and programmable functions that can be tailored to meet a customer's particular needs.

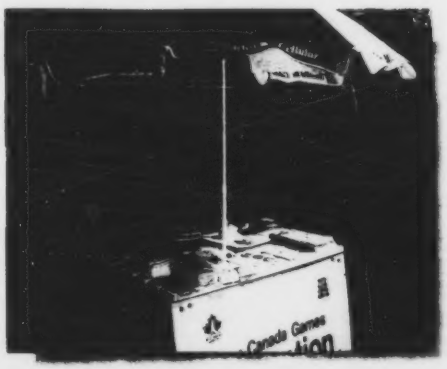
SaskTel Cellular service complements AutoPhone mobile-radio telephone service which has been available since 1985. Cellular is best suited for heavily populated urban areas with large numbers of users. AutoPhone is more suited to areas with sparse populations or irregular terrain.

Strong market demand

The cellular marketplace in Saskatchewan, as in other provinces, is extremely competitive. However, the corporation is well-positioned to compete and win in this quickly expanding market with its strong support from independent dealers, a skilled and dedicated workforce, a technically advanced network, high-quality products and the most comprehensive coverage in the province.

In Saskatchewan, major cellular users include realtors, medical personnel, travelling sales people, service technicians and business executives. The increasing popularity of cellular telephones reflects a society that wants to keep in constant touch, increase efficiency and enhance productivity.

Cellular telephones are today's hottest and most competitive market



Cellular phone locations at the Games were easily identified by colorful umbrellas.

Building the network of tomorrow

Bringing the benefits of the Information Age to the people of Saskatchewan

Technological leadership is essential to SaskTel's mission as competition continues to increase. By effectively applying new technologies to meet customer needs, SaskTel will continue its role as the supplier of choice for all telecommunications products, services and systems throughout Saskatchewan.

SaskTel is investing in the future by building one of the world's most technologically advanced information networks. A number of capital-intensive programs are under way to upgrade, expand and enhance the quality and capacity of the provincial telecommunications network. Among these is the $264 million rural Individual Line Service (ILS) program and major switching and network upgrading programs that together represent an investment that exceeds half a billion dollars.

Individual Line Service

Thousands of rural customers now enjoy the privacy and convenience of individual line service along with the benefits of uninterrupted calling, on-line computer use and universal access to technically advanced products and services. Many of these customers have chosen optional services such as touch-tone and custom calling features, along with extension telephones and premium telephone sets in response to SaskTel's up-selling program.

The ambitious ILS program, the first of its kind in Canada when initiated in 1986, had converted 253 of the province's 345 telephone exchanges to digital operation by year end. The telecommunications facilities of more than 56,000 party-line customers had been upgraded to individual line service by the end of 1989, making the program 76 percent complete. The remaining 17,600 rural customers will have their facilities converted by the fall of 1990, with final telephone set conversions taking place in early 1991.

A milestone was reached in April when the East Borden Rural Telephone Company, northwest of Saskatoon, voted to assimilate with SaskTel. East Borden was the last independent telephone company in the province. It will continue to operate into 1990 when its 51 rural customers are scheduled to receive individual line service.

Computer-driven network

In addition to the ILS program, SaskTel is investing $274 million to convert switching and network systems to the latest telecommunications technology. This investment is part of SaskTel's strategy of being the leader in bringing the benefits of the Information Age to the people of Saskatchewan. It will ensure that the corporation's customers will be among the first in Canada to have access to a wide choice of technically advanced products and services.

As 1989 drew to a close, the conversion of SaskTel's network to digital technology was progressing on schedule. At year end, 65 percent of SaskTel's network access lines were served by digital switching systems and 82 percent of its transmission facilities were digital.

This new, computer-driven network, to be fully digital by the end of 1994, will have important practical, social and economic benefits. While helping the company reduce maintenance costs and operate more efficiently, digital technology will allow SaskTel to respond more quickly to the ever changing communications needs of its customers.

This province-wide deployment of computer-based, information technology will have a number of far-reaching benefits to customers:

- **An economic edge**
  Saskatchewan businesses will be able to cut costs, provide better service to their customers and more easily penetrate new markets. Information technology will also help stimulate economic development by attracting new industries to smaller communities and rural areas.
- **Expanding choices**
  Digital technology widens the selection of new products and services while giving customers greater flexibility and control over their communications systems.

- **Increased independence**
  Computer-driven networks make communication easier and more convenient for people with special needs.
- **Improved personal safety**
  Ambulance, police and fire services are being improved through the introduction and enhancement of systems such as 9-1-1 emergency service.
- **Simplifying access**
  New technologies simplify access to a variety of databases — from financial and investment data to educational and entertainment services.

Regina and Saskatoon

During 1989 SaskTel continued work on a major program to provide fully digital switched services to all business and residential customers in Regina and Saskatoon by 1992. At the end of 1989, more than 100,000 lines in the two cities had been converted to digital technology.

SaskTel will use an enhanced technology developed by Northern Telecom, called DMS Super Node, to increase the processing power and functionality of the digital systems in Regina and Saskatoon. In addition to the more traditional custom calling features such as call waiting, call forwarding, speed dialing and three-way calling, in the future customers will be able to choose from a variety of next-generation call management services.

These new network-based services will be gradually phased in and include call return (the telephone re-dials a busy number until available; it also allows a customer to automatically call back the last number that called); priority call (allows a customer to prioritize calls since incoming calls are identified through the use of several distinctive ringing tones); and call display (indicates the telephone number of the caller). All these convenient and easy-to-use services will provide customers with unprecedented flexibility to manage their communications needs.

The leading edge

As the telecommunications technologies of the Information Age come on stream and are extended throughout the province, both residential and business customers will have quick, easy and affordable access to a wide range of new and exciting information handling services.

SaskTel's success over the years can be attributed to dependable, high-quality products and services provided at rates that remain among the lowest in Canada. Into the 1990s and beyond, SaskTel's aggressive leadership in applying the latest switching and transmission technologies will ensure that Saskatchewan maintains a leading edge in the communications revolution now taking place.

*Last year **Sid Gaudry** won the Canadian Ski Patroller award — the highest working award in the Canadian Ski Patrol system. As an instructor he teaches adults and children how to provide medical services to injured skiers. "I've made a major commitment to helping people," he says. Off the slopes Sid is a SaskTel communications consultant who sells TV and radio broadcast services for special events such as the 1989 Jeux Canada Games.*

New services meet customer needs

The popularity of custom calling features increased strongly throughout the province in 1989 as the result of a major promotional campaign in a number of Saskatchewan communities.

Customers had the opportunity to experience the ease-of-use and convenience offered by call waiting, call forwarding and speed calling — all provided free-of-charge during the trial periods. Altogether, more than 100,000 customers tried some of the latest telecommunications services.

Customers were contacted twice during the promotion; the first time to make sure they understood how to use each feature, and later in the trial, to process service orders. Service connection charges for two additional custom calling features, three-way calling and 30-number speed calling, were also waived if ordered during the trial.

Custom calling trials were staggered throughout the year in the cities of Estevan, Moose Jaw, Prince Albert, Regina, Saskatoon, Swift Current, Weyburn and Yorkton and a number of smaller communities and their surrounding rural areas. More trials are planned for 1990.

Elizabeth McRobbie *loves to entertain. She is a highly efficient long distance operator who started clowning at schools and child care centres at the same time as she joined SaskTel nine years ago. Elizabeth writes and performs at the Saskatoon Lampoon theatre, conducts workshops for the Saskatoon Soaps company and organizes local film and video festivals. "I'm a night person," she says. "Between my job and my acting, I don't get much sleep, but I do have fun."*

VideoForum introduced

During 1989, a new video conferencing service called VideoForum was introduced to Saskatchewan. VideoForum is a fully interactive public conferencing service that allows groups of people in as many as eight locations simultaneously to get together to conduct meetings.

VideoForum decreases travel costs while increasing efficiency and productivity. It is an effective business communications tool in today's fast-paced, cost-conscious world. The possible applications of VideoForum are many and varied. They include training and education, consultations, sales meetings and news conferences.

In Saskatchewan, VideoForum is available in the Trafalgar Room of the Sheraton Centre in Regina. The fully equipped, sound-proof room contains two video screens and a video camera, a close-up camera for document viewing and a VCR unit.

SaskTel's VideoForum service, in conjunction with other Telecom Canada companies, links Regina to 12 other cities across Canada in addition to most major cities in the United States and overseas.

Voice processing

SaskTel's new voice processing system, called Aspen, allows customers to get more value from their telephones. Used extensively at the 1989 Jeux Canada Games, Aspen is a computerized voice storage and retrieval system that enables customers to send voice messages to other users or groups. However, unlike electronic mail, customers do not require a terminal to type or receive a message. They need only a touch-tone telephone.

Voice messages are stored in digital format on the system's computer until retrieved by the intended recipient. With a single call, a customer can put a message into the Aspen system, address it to the telephone numbers of designated recipients and the message will be automatically forwarded. The system virtually eliminates telephone tag since it faithfully records messages when a line is busy or not immediately available.

In Saskatchewan, customers such as Canadian Airlines, Shell Canada and BF Goodrich are using SaskTel's Aspen to increase the speed and efficiency of their business communications.

Centrex for small business

Small business customers across Saskatchewan can now have more flexibility and control over their telephone systems. Previously available only to the largest business customers, Centrex service was extended in 1989 to all businesses with more than two lines in Regina, Saskatoon, Prince Albert, Swift Current, Weyburn, North Battleford, Lloydminster and Rosetown.

Available to businesses served by digital switching equipment, Centrex provides a number of convenient, easy-to-use calling options. Call forwarding, call waiting, call transfer, three-way calling and group intercom are some of the many features available. Centrex service can be tailored to meet the specific needs of each business, including monthly addition or deletion of lines and features in response to changing communication needs. Several flexible pricing plans are also available.

Small business Centrex is a network-based service that is ideally suited for fast growing businesses and companies which experience seasonal peaks, have several office locations or require several access lines.

One of the biggest advantages for small business customers is that capital investment is not required. Centrex equipment is located inside SaskTel central offices where maintenance is provided 24-hours a day by skilled technicians. Future enhancements can be easily accommodated when needed by customers.

Improving customer service

In response to increasing competition, rapidly evolving new technologies, and more sophisticated customer needs, SaskTel has reinforced its commitment to customer satisfaction and quality service. Taking the time to help customers better understand and utilize the ever-increasing number of optional services helps to significantly increase the company's understanding of the needs of customers and therefore the level of customer satisfaction.

A key factor in improving operating efficiencies and service to customers is the on-going computerization of internal administration, such as order processing for installation and repair work, inventory control and distribution systems. SaskTel is emphasizing more personalized service, decreased response time and additional training for employees who deal directly with customers.

Being customer-driven means staying constantly in touch with the demands of the marketplace. It means listening to customers to determine, understand and anticipate their needs.

Measuring customer satisfaction

SaskTel introduced a new Customer Satisfaction Measurement Plan during the year, aimed at maximizing customer satisfaction and increasing flexibility in providing services. Under the program selected customers are asked to complete a questionnaire which measures customer satisfaction in key areas such as installation and repair service, local and long distance service, operator services and business office transactions. This information is used to identify ways that SaskTel can serve its customers better.

Telmarts officially opened

A new Telmart retail store officially opened in Saskatoon in January 1989. The new location, at 114-3rd Avenue South, provides better customer access and service and offers a larger selection of residential and business products such as cellular telephones and Panafax facsimile equipment.

In Weyburn, a new Telmart also officially opened in January. A similar store opened in Prince Albert later in the year. Regina's Telmart store in the Cornwall Centre was

Being customer-driven means staying constantly in touch with the demands of the marketplace

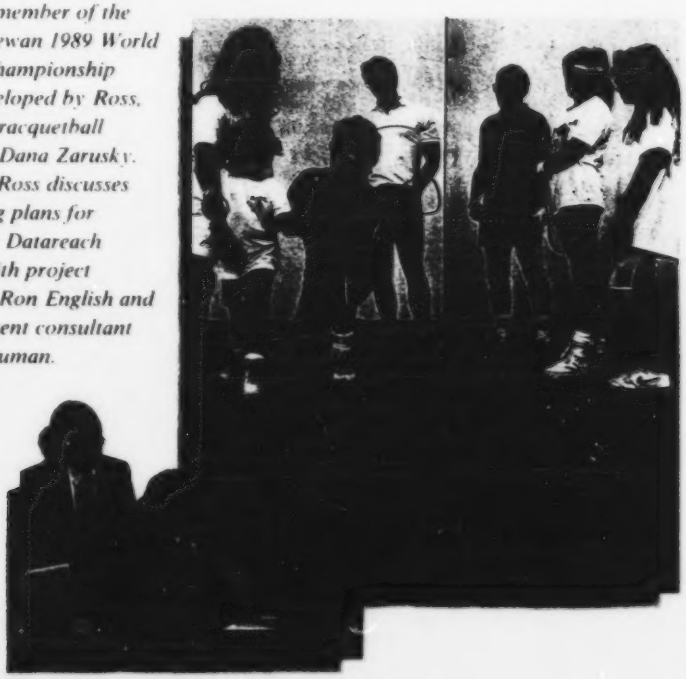
renovated to improve the customer sales and service areas and to provide a more attractive display area.

SaskTel service for Lloydminster

The turn-up of a new digital switching system on July 16, 1989 completed the transfer of telecommunications service from Alberta Government Telephones to SaskTel for Saskatchewan residents in Lloydminster and the surrounding area.

The corporation invested more than $3.1 million in new buildings and state-of-the-art switching equipment as part of the transfer. Toll-free calling within Lloydminster and to surrounding rural areas continued after the cutover, with the added advantage that the new SaskTel customers can now call the Saskatchewan government's toll-free "800" numbers.

"I do my best to make the sport I enjoy bigger and better," says ***Ross Richardson****. President of the Saskatchewan Racquetball Association. At a Regina court club, he and Sheila Finch, a member of the Saskatchewan 1989 World Junior Championship team developed by Ross, illustrate racquetball basics to Dana Zarusky. At work Ross discusses marketing plans for SaskTel's Datareach service with project manager Ron English and management consultant Angie Neuman.*



New telephone bills

A new telephone bill which consolidates billing information for customers was phased in throughout the province during the year. The new format provides each customer with a single bill and more detailed information on the telecommunications services received from SaskTel.

An additional benefit for business customers is the option of consolidated and/or summary billing. With summary billing, a larger company can easily keep track of the telecommunications costs of individual departments.

The changes in format are in response to requests from customers for more detailed information on their telephone bills. The new approach incorporates a unique account number which makes it easier for customers to obtain billing information or request service changes.

Automated calling card service

In October an automated calling card service was introduced to make it easier and more convenient for customers to use SaskTel calling cards. The new service has a number of advantages, including faster call processing, improved security and increased privacy.

When using the new service, a customer with a touch-tone telephone dials "0" plus the number being called. Following a tone, the customer enters the calling card number. The call is then automatically processed without operator intervention.

TeleService Plus

Two trials, intended to streamline the process of connecting, disconnecting or changing telephone numbers, took place during the year. The aim of the program, called TeleService Plus, is to make it more convenient for customers to receive service, while being more cost-efficient for SaskTel.

Under the trials, some residential customers in Saskatoon and Regina were given the option of having modular jacks installed in their homes without charge. Customers who participated could also receive installation or upgrading of telephone equipment without the regular service fees.

Leaders in change

SaskTel's business environment continued to undergo fundamental changes as the result of new technologies and increased competition. The corporation is responding aggressively to these changes by employing innovative strategies and placing an increased emphasis on efficiency.

In addition to its technologically advanced network, SaskTel's competitive edge is its employees. Skilled and knowledgeable people, committed to providing top quality service, are crucial to ensure SaskTel's continued success.

The strong sense of commitment and support among employees was particularly evident during SaskTel's participation in the 1989 Jeux Canada Games. The quality of telecommunications facilities provided for the event, along with the dedication and resourcefulness of employees who took part as volunteers, won praise from Games organizers and officials, other sponsors, the media and visitors.

SaskTel's contribution to the Games' overall success is a reflection of a new entrepreneurial spirit being fostered at all levels throughout the company. Employees are encouraged to take the initiative, be innovative and take prudent risks, when necessary, to improve service to our customers.

Managers are also encouraged to be agents of change, to recognize the merits of innovative ideas and to help those ideas succeed when they are in the best interests of employees, the company and its customers. Employees have responded positively to these new initiatives, realizing that their suggestions for improving services and reducing costs make a substantial difference to the success of the company.

Recognition programs

New programs to formally recognize the valuable contribution of outstanding employees were implemented during the year. These programs help create an environment in which employees are encouraged to suggest ways of improving productivity and operating more efficiently. All managers are working hard to provide the resources, knowledge, skills and support needed to build and maintain a teamwork approach to solving problems and increasing the level of customer satisfaction.

The programs reflect a process of decentralization that has taken place over the past few years. By moving operational responsibilities into the hands of well-trained and motivated employees familiar with their customers' needs, SaskTel draws on their talents as individuals and places greater emphasis on their initiatives.

The entrepreneurial spirit of SaskTel employees was reflected in a number of employee involvement programs introduced in 1989. One example is "Sell One More", an innovative program which recognizes and rewards employees who identify sales leads.

In addition to stimulating revenues and increasing customer satisfaction, the program helps employees become more familiar with SaskTel products and services. The program also encourages employees to report dirty, broken or vandalized public payphones. This ensures that repairs are made quickly, minimizing customer inconvenience.

Meeting new needs

Near the end of 1989 SaskTel began to phase out about 130 operator positions in Regina. The change took place as a result of the installation of new multi-purpose equipment that improves customer service and is more cost-effective.

The Regina operators affected by the change have responded positively to career counselling, retraining and finding alternative positions within the company. All affected operators were involved in the process of identifying job opportunities.

The change amounts to a redeployment of resources that will help SaskTel meet changing needs in other areas. Through a variety of retraining programs, affected employees have learned new skills which will help them meet new customer needs.

Throughout 1989 the company continued employee development programs and career counselling to enhance the skills and knowledge of its other employees. SaskTel invested $5.5 million during the year to help employees keep pace with technological changes and to prepare for even more demanding roles in the years ahead.

Skilled and knowledgeable people, committed to providing top quality service

More than 18,600 person-days of training took place as employees attended 2,195 courses provided during the year. In addition, 641 employees took part in the corporation's out-of-hour Educational Assistance Program which reimburses employees for tuition fees and books when they successfully complete approved courses outside of regular working hours.

DirectWest

In mid-1989 a group of SaskTel directory employees and Brigdens, a Regina printing and publishing company, agreed to purchase the corporation's directory division. Under the public participation initiative, 53 of the division's 81 employees decided to join the new company, called DirectWest. The remaining employees have relocated within SaskTel.

Shares were purchased by employees in the directory division through a labour sponsored venture capital corporation which they established. The former SaskTel employees now own 46 percent of DirectWest, Brigdens owns 44 percent and SaskTel retains a 10 percent interest.

DirectWest has a long-term contract to publish the corporation's 10 annual directories.

Technological leadership

SaskTel's fiber optic network now links more than 100 Saskatchewan communities

SaskTel's technological leadership over the years has benefited Saskatchewan residents by providing them with access to the very latest products and services at rates among the lowest in North America.

The corporation's on-going research and development ensures that advances in new technologies will continue to expand the communications choices for both residential and business customers.

In cooperation with the University of Saskatchewan, SaskTel is working on a digital-radio system to improve service to small, remote communities in northern Saskatchewan. Testing of the system is taking place at Kinoosao village, north of the 57th parallel near the Manitoba border. The research project, funded by SaskTel, is aimed at finding a cost-effective way of serving isolated communities with dependable service.

New applications for fiber

In 1988 SaskTel worked with the University of Regina on an innovative application of fiber optics technology known as "linear photonics". The university was involved in the initial trial at Elsie Mironuck Elementary School.

The success of the pilot project, called "Project Glass", led to a second-generation trial at Regina's Campbell Collegiate in 1989 with the assistance of a grant from the Future Corporation's Innovative Grant program.

Students and teachers at Campbell Collegiate now have instant, on-line access to 192 educational videotapes by simply dialing the appropriate number on a touch-tone telephone. The videotapes are played from a SaskTel switching centre which is connected to the school by a fiber optic link.

The trial is the first of its kind in Canada and has the potential to pave the way for a wide range of new services in both education and the entertainment industry.

When SaskTel's 3,268 kilometre fiber optic network was inaugurated in 1984 it was the largest of its kind in the world. By the end of 1989, it had been extended to 4,600 kilometres, linking more than 100 of Saskatchewan's largest communities.

While this province-wide network was built to handle long distance communications, economies of scale are now making the installation of fiber cable economically feasible for local services within communities.

On-going research

SaskTel is researching a number of possible new applications for fiber optics, including optical switches that change network configurations instantaneously and Local Area Networks (LANS) that use lightwave technology. A joint research project with the University of Regina is exploring the potential of "intelligent buildings". In an intelligent building all telecommunications, environmental, security and fire alarm systems are connected by fiber optic cable to a central computer which automatically controls each function.

Work was under way at year end on a new application of network technology which will make it easier and less expensive for a utility to keep track of energy and water use. Under the pilot project, water, gas and electrical meters are connected by telephone lines to a central computer which keeps track of consumption for billing purposes.

Saskatchewan Communications Advanced Network

In recent years students in smaller communities and rural areas have benefited from increased educational opportunities resulting from the innovative use of new technologies. Both the University of Saskatchewan and the University of Regina have transmitted courses in a variety of academic subjects to off-campus locations through video and audio links using satellites and SaskTel's fiber optics transmission system.

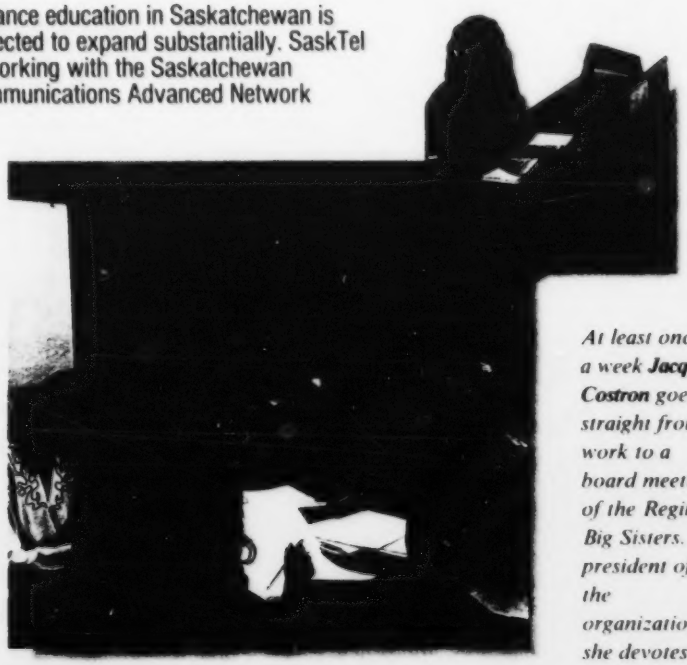
SaskTel has helped pioneer this unique way of economically expanding learning opportunities, and in the near future distance education in Saskatchewan is expected to expand substantially. SaskTel is working with the Saskatchewan Communications Advanced Network (SCAN) to introduce a variety of communications services to residents throughout the province.

This new crown corporation will transmit many new courses and increase the number of SCAN community classrooms across the province. Its planned Public Information Network will carry documentaries, information and instructional programs, and showcase Saskatchewan artistic talent.

Future Caravan tour

SaskTel is one of six corporate sponsors of the Future Caravan, a travelling exposition scheduled to visit nearly 100 communities by the end of 1990. Inside one of two 50-foot trailers, displays highlight how SaskTel and Northern Telecom have worked together to bring the benefits of new telecommunications technology to the people of Saskatchewan.

The caravan is part of the Future Corporation's activities to foster Saskatchewan's sense of pride in its many accomplishments, its impact on the world, and the bright future ahead.

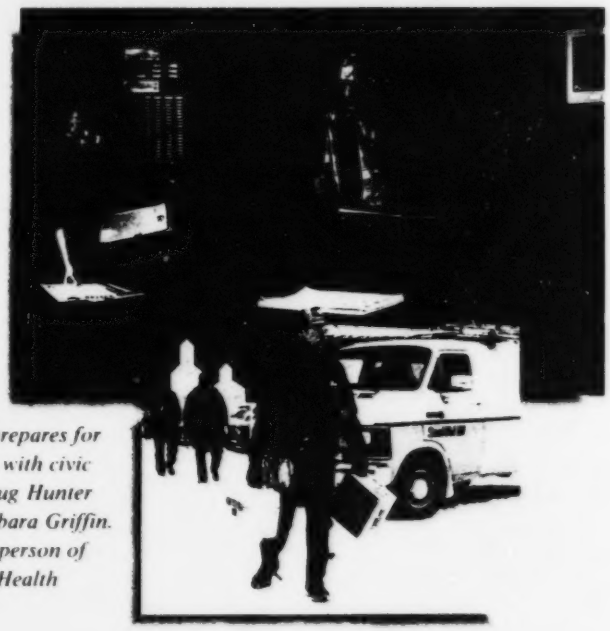


*At least once a week **Jacquie Costron** goes straight from work to a board meeting of the Regina Big Sisters. As president of the organization she devotes 20 hours a month to helping troubled girls find the stability and comfort of a friendship with a caring woman. "I was raised in a home where we were all expected to help others less fortunate than ourselves," she says. "It was a perfect family." At SaskTel, Jacquie works on the implementation of the Olympus computer system developed by the corporation for its sales offices.*

Serving community needs

SaskTel and its employees are helping improve the quality of life throughout the province since SaskTel's future depends on the economic health and well being of the communities it serves. As a result, the corporation actively supports community activities by employees. While more than 200 employees took part as volunteers in the 1989 Jeux Canada Games, hundreds more across the province donated their time and talents and provided financial assistance in support of other community, cultural and sporting organizations.

*Alderman **Tony Gillich** got involved in the municipal affairs of Strasbourg, 50 miles northwest of Regina, when he took a stand six years ago in support of paving the town's streets. As SaskTel's local service technician he gets to hear what is on people's minds. "They tell me what they think about our water or their street," he says. At the Strasbourg town hall, Tony prepares for a council meeting with civic administrator Doug Hunter and secretary Barbara Griffin. Tony is also chairperson of the local District Health Clinic.*



The Telephone Employees Benevolent Fund changed its name to Telcare in 1989, but its purpose remained the same — to provide financial support to a large number of worthwhile organizations. Once again employees throughout the province donated generously to their local Telcare funds. Their contributions, combined with a 50 percent corresponding donation by SaskTel, exceeded $287,000 in 1989.

Through its on-going corporate contributions program, SaskTel provided an additional $250,000 to support non-profit and charitable organizations, such as service clubs, athletic associations, academic organizations, and cultural and community groups.

Hug-A-Bear

The Telephone Pioneers in Saskatchewan added a new program to a list which already includes more than 40 on-going community service projects.

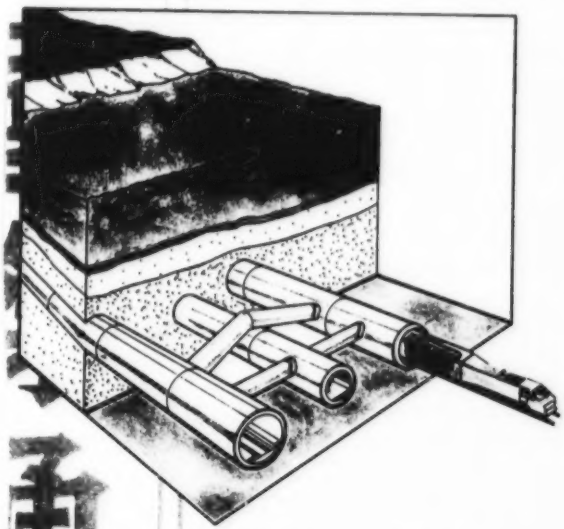
The Pioneers distributed hundreds of handmade Hug-a-Bears to law enforcement agencies and hospitals throughout Regina. The teddy bears are used to help lessen the fear experienced by children in traumatic situations such as traffic accidents, house fires or domestic disputes. The Hug-A-Bear program will be expanded in 1990 and will include ambulance operators and transition houses.

The Pioneers' projects throughout Saskatchewan contribute significantly to SaskTel's reputation as a caring corporate citizen. The organization offers valuable development experience to project managers and others who take on leadership roles.

In October a ceremony commemorated the 50th SaskTel-CWC blood donor clinic in Regina. Since 1964 on-site clinics at SaskTel have contributed almost 17,000 units of blood to the Red Cross.

SaskTel International

(Left to right) Gary Baker and president Tom Hope of SaskTel International, along with two employees of the Tanzania Railway Corporation, inspect progress on a $10 million joint venture project with Douserv of Montreal which will modernize Tanzania's railway communications system.



...nnel tunnel being built between England and F... scheduled for completion in mid-1993. The ...el project consists of two 25-foot wide tunnels for railcars with a smaller service tunnel in ... Sask Tel International has assisted ...ors of the project by reviewing the tunnel ...nications system.

SaskTel began sharing its knowledge of advanced technologies in 1986 when it formed SaskTel International to assist in the development of leading-edge communications systems throughout the world. In its first few years, SaskTel International has been successful in the fiercely competitive international marketplace.

Whether a particular project calls for expertise in fiber optics, digital switching, cable TV, microwave radio technology or computer-software systems, SaskTel International has the highly trained and dedicated employees needed to get the job done on time and within budget.

SaskTel International's current projects are on five of the world's seven continents. At year end projects were under way in Tanzania, China, England and numerous locations in the United States. Major new activities during the year included:

- A contract valued at over $1 million to provide a computerized telecommunications service and maintenance system based on IBM's new DB2 database to Maritime Telephone and Telegraph, Nova Scotia. The sale of the SaskTel-designed software system, known as MARTENS, follows a similar contract in 1988 with Pacific Telecom Inc. in the United States.
- A contract to review, evaluate and recommend improvements to the communications system planned for the tunnel being built beneath the English Channel between England and France.
- A multi-million dollar joint venture to develop a network architecture to integrate cable television and telecommunications technologies and services for the city of Leicester, England.
- Consulting engineering services for various clients including LeGroupe Vidéotron Ltée, and Northern Telecom.

Other SaskTel International multi-year projects include a CIDA funded upgrading of communications facilities for the Tanzania Railway Corporation, and provision of a microwave communications system for the Jilin Power Company in China.

Innovative solutions

Surrounded by grain vacuums produced at Rem Manufacturing in Swift Current, Lorne Dennis shows Louise McGough the many features he uses on the company's Norstar digital telephone system.

A factory manager in Swift Current, a school administrator in Melfort, a city councillor and pipeline comptroller in Regina, and a visual artist who makes lasers for California — they all rely heavily on a continuous stream of fast, accurate information. They are SaskTel business customers who realize the value of good information and reliable communications systems. Their stories illustrate the tough demands placed on SaskTel in the Information Age and the corporation's commitment to fulfilling every customer need.

Hay rakes to grain vacs

High on a hill overlooking Swift Current, on the road to the U.S. border, is the town's third largest employer. Louise McGough, a SaskTel sales representative for the past two years, had driven past Rem Manufacturing countless times. But until she went there in 1989 on her first ever sales call, she had no idea the company manufactures peanut harvesting equipment for farmers in Georgia, along with more familiar equipment for farmers closer to home.

McGough learned from Rem's Lorne Dennis that the company manufactures wire-form products such as torsion springs for hay rakes, harrows, and other farm equipment; and, air moving equipment such as grain vacuums, blowers, air seeders and aeration fans for grain drying.

The company employs about 100 people, many of them farmers earning extra income during the winter. Rem Manufacturing buys much of its raw material, including six million pounds of wire a year, from Eastern Canada. It sells to other manufacturers in Western Canada and to parts distributors in the U.S.A., Mexico and Australia. Since virtually all suppliers and customers are far away, most of Rem's business is conducted by telephone.

Time for change

Lorne Dennis is responsible for operations in the company's wire-form division as well as building and grounds maintenance, which includes the telephone system. "The existing system was acceptable for its time but we had it for five years; the technology was outdated," he says. "And because our contract was coming up for renewal we were going to be looking at alternatives and options."

"I was nervous going out there the first time," says McGough. Until now, the only customers she had met were ones who came into the Swift Current Telmart store. "They had single line sets all over the place, with a switchboard that switched calls to all the different sets," says McGough. "But I said to myself, 'I can handle this.' And I did."

Icing on the cake

"Price was not a major problem," McGough says. "Rem just wanted something that would work well. They asked for eight lines — six lines plus two 800 numbers — and 18 to 21 sets.

"I suggested the Meridian Norstar Digital Key System. It was becoming known for its enormous power and ease of use," she says. "In fact when I first saw the system at a training course, I could not believe how straightforward it is, and how easy it is to use."

The installation was on a regular business day and went so smoothly that Lianne Neustaeter, a receptionist at the time of the installation, says Rem's phones were down less than an hour. "We started using it right away. There was nothing to it. The display on the phone told us everything we needed to know."

"The name of the person calling you from another Norstar set even shows up on the display," says Dennis. "I don't think there's a feature on the phone that I haven't used, even though there's a lot of features there. For instance, if a person you're calling is busy, you can press a button to leave a message. It's that easy."

Another benefit is maintenance. "With the old system probably twice a month we had the serviceman come out here. With this system, since its been installed we've had to have somebody out once," he says.

McGough says the icing on the cake is that Rem Manufacturing now has a lower monthly phone bill. "It's tremendous," says Dennis. "I really like the fact that we're saving $300 a month."

Not just a number

Summing up, "I very much appreciated getting the jump on things," Lorne Dennis says. "Suggesting the Norstar system, before it was even available, was above and beyond the call of duty."

"We talked to him," says Louise McGough. "I think that really helped. Whenever customers know they're talking to a real person and they can see you, they feel better about the system."

One step more

Personal involvement by SaskTel personnel also won praise from the Melfort School Division.

Each of the four schools in Melfort is equipped with a Local Area Network that enables computers to share data files and printers. School personnel use the computers to track costs, maintain student records, update library information and perform other administrative duties.

But the school division wanted to take things one step further — to link the four school networks to each other and to its own internal network. That way, administrative personnel could access computer programs at all locations and, for instance, if a student graduated to another school, simultaneously update records at both the old school and the new one.

The school division looked into several alternatives but all proposed solutions were complicated and expensive. Donald Lloyd, the division's Secretary-Treasurer, decided to contact Ken Olson, a SaskTel sales consultant. Olson, in turn, involved Del Stanley, a company technical support specialist familiar with computer networking. Their challenge was to link the five networks by taking advantage of existing software and hardware and without incurring major costs.

The two men analyzed the situation carefully and came up with a solution. They presented it to the customer.

Don Lloyd shows secretary Leiflynn Jeffery (seated) and data entry operator Dawn Burlock how easy it is to use the Melfort School Division's new data communications system.

One step more

Continued from page 23

A good idea

At the core of their solution was a low-cost data switch, the Newbridge Mainstreet Driver, at the school division office. The four schools would be linked to the division office through dedicated data lines and high speed modems. The switch would control traffic among all networks.

Donald Lloyd embraced the idea immediately.

Someone cared

School division personnel can now easily call up any other computer to share programs or data. They can transfer information, link computers and receive on-line instructions without the inconvenience of dialing, routing or any other technical details. A person wanting to access the computer in another school simply selects the name of the school on a computer screen. Administrators can transfer student records, consolidate expenses or look up library information. For Lloyd there is the added benefit of being able to manage and maintain every computer, and even train users, without leaving his office.

"It's easy to say that something can't be done," Donald Lloyd says. "But they cared and they came up with a solution."

"We went to some length to solve his problem," says Olson.

"Del Stanley even stopped by here on his holidays," says Lloyd. "So I wrote a letter to the president of SaskTel — to tell him how pleased I was with the service."

Pipelines

The computers at TransCanada PipeLines process information of a different kind.

Natural gas pipelines running through Saskatchewan are up to 48 inches in diameter and in most places run five abreast. The TransCanada pipeline starts at the Alberta/Saskatchewan border and ends in Quebec. The pipelines are so large "You can basically bend over and walk through them," says Ken Redfern, a cost controller at TransCanada's Regina office.

Huge compressors pump gas through the pipeline at a pressure of 880 pounds per square inch. "At the Burstall compressor station, for instance, we have two 34,000-horsepower jet engines — similar to those used in Boeing 747's," Redfern says. These operate beside eight smaller compressors. In total the station uses 120,000 horsepower to pump the gas.

Less paper

The Regina office manages TransCanada's operations across Saskatchewan and provides the compressor stations with technical and administrative support. Redfern says, "We have tons and tons of information — logging the running hours of the compressor stations, the engines, the gas flows and the data from purchase meter stations where gas is sold off to SaskEnergy.

"Before, it was done manually on paper reports and put into files. Now we use computers. We're looking for maintenance patterns to prevent problems," says Redfern. "If a blade goes on a jet engine, it costs $500,000 to $1 million in repair costs."

But to be more useful, the computers had to communicate. "In our business today there's a 'now' atmosphere about everything. We need to know information in seconds whereas in the past we could wait for couriers to deliver it. So our computer systems people in Toronto specified that we needed something that would link all our computers

Legumes and lasers

Another satisfied customer is Glenn Rosin.

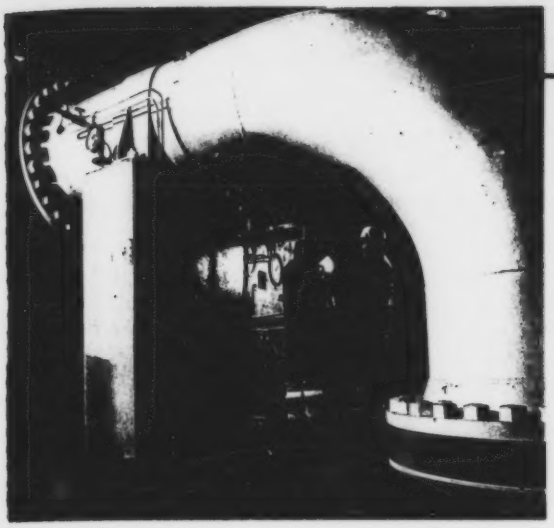
Glenn Rosin's workshop is a cross between a television studio and a laser research lab. Television cameras of all shapes, sizes and vintages surround a shooting stage adorned with bright lights, sound-absorbing drapes, props left over from dozens of shoots and, everywhere, wires.

Rosin owns Creative Visual Associates, a Regina company which produces creative industrial videotapes on topics as diverse as laser beams and legume inoculation. Since he happens to hold a Master of Science Degree in Electrical Engineering, Rosin has invented and patented electronic special-effects equipment for his studio and designed a computer-based editing controller. Through his other company, Northern Dynamics, he builds and sells lasers, especially industrial lasers used to cut through hard substances such as metal.

Unanswered calls

For 10 years, Rosin's entrepreneurial drive and his passion for work have kept him constantly on the go — often working day and night, seven days a week. His life is not routine, not orderly.

"I'm never here during the day," he says. "During the day I'm out shooting or doing an installation or meeting a client." The client may be the Association of Professional Engineers, the Saskatchewan Department of Agriculture, or a small electronics firm in Boston or California. Since his clients provide Rosin with the means to explore his artistic and technical passions, he



Information about natural gas flows and the performance of massive compressor engines such as this one at Burstall is monitored continuously by the TransCanada PipeLines' computers in Regina.

and that someone could call into them from Toronto, Calgary or any of our stations across the province.

"It was totally mind-boggling — so we called SaskTel, knowing we have reliable people looking after the technical end of our communications system. We trust them. We give them a problem and tell them to solve it."

As usual, Redfern called Dave Claude, SaskTel's sales representative, and told him what he wanted. "I call him about anything that's complicated and we need help with," Redfern says.

Not a moment's problem

Dave Claude suggested SaskTel's Integrated Building Distribution Network, a system which links computers through regular, low-cost telephone lines.

"They came in here in July and hooked it up," says Redfern. "They put in the wiring and our computer assistant came in from Toronto. Within a day he went back to Toronto and we haven't seen him since. We've never had a moment's problem with it."

The system links all computers to a central traffic controller. "When it went in we figured we'd have five computers. Then there were rumours about more coming so we talked with SaskTel and they said we might as well hook up the whole office. They gave us a cost estimate which we thought was quite fair," Redfern says. "Now it's simple: the more computers we get, the more we plug in. Anybody can talk to anybody else.

"As long as everything works and is within our cost restraints we're not concerned with what goes inside the wall. SaskTel has the expertise and technology to make this equipment work for us. After they plugged it in we never called them back to even look at the thing.

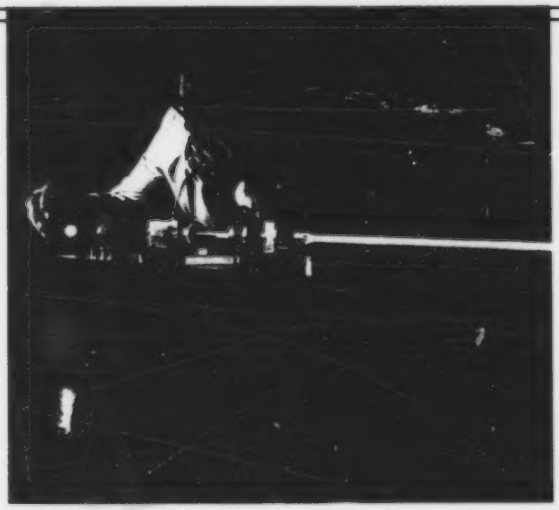
"SaskTel made us happy about the way the system is working," Redfern says. "They really satisfied us."

wants to be immediately available when they try to get hold of him.

Until last summer, Rosin had a car phone, subscribed to a 24-hour answering service and always carried a pager with him. But, he says, "I suspected the answering service didn't answer all my calls and I knew that some people have an aversion to leaving messages and would rather talk to me directly."

Follow me

In August SaskTel supplied Rosin with a cellular phone. "Now, my cellular telephone is a major part of my business," he says. "I can take calls anywhere and at the strangest hours — Sunday evening, three in the morning — especially from international customers in different time zones. They ask me why their laser is not working, how can they fix it?"



In the midst of a call on his cellular telephone, Glenn Rosin of Northern Dynamics etches a piece of granite to test the alignment of a laser under development for engraving tombstones. The laser beam vaporizes minuscule portions of the rock at a temperature of 6,000° C.

With the phone's "follow-me" roaming feature the caller doesn't even need to know where Rosin is. He could be at home, in his workshop or driving along a highway. The system finds him and connects the call.

"I often use the voice messaging service that comes with the phone to receive or pass on information to my colleagues," he says.

Cellular's biggest surprise for Glenn Rosin is its cost. "My total phone bill is less than it was before," he says.

Fast start

Equally surprised by the effects of new technology is John Zaremba, manager of Regina's Sheraton Centre.

"I didn't realize how quickly it would take off after we got it up and running. The enthusiasm is there," he says of VideoForum, a new way of holding meetings. VideoForum is a multi-point two-way video and audio conferencing service. People at several locations hundreds or thousands of miles apart use it to conduct business meetings.

"VideoForum is a medium of the future," Zaremba says. "We are forerunners in the province of Saskatchewan and in Canada — the only hotel in Canada to offer this service."

In the Sheraton's VideoForum room, meeting participants sit at a trapezoid table. On a large monitor they can see and hear people sitting at a similar table in any of the 20 public VideoForum rooms across Canada, close to 50 private rooms in the country or hundreds of other such rooms in the United States and overseas. The meeting chairpersons can play videotapes or operate the graphics camera.

John Zaremba, Regina Sheraton Centre, asked penetrating bottom-line questions before deciding that VideoForum can indeed be a profitable way to hold long distance business meetings.

Doors open

"This room is wired to the conference hall downstairs, where people can watch the meeting on monitors, with simultaneous translation in two languages when needed," says Jay Clement, the SaskTel sales representative responsible for VideoForum.

"VideoForum has been in use in Canada since 1983," says Wendy Weisner of SaskTel's new product introduction group. "We investigated the market at that time and the demand just didn't seem to be there.

"In the last year, however, demand has really grown significantly and the interest has been shown by a lot of people," she says. "Customers have been at our door wanting the service."

To meet the demand, SaskTel and the Sheraton Centre officially announced the service in November. "We had our first customer the day we opened the doors," says Weisner. The Solicitor General of Canada booked the network for a national conference to officially launch Mobile Watch, a program which encourages people with cellular phones to call 9-1-1 if they witness accidents or emergencies.

Tremendous potential

John Lipp, a Regina city councillor, represented the city at the conference. "VideoForum is fantastic," he says. "I look at it from two perspectives. I'm a businessman as well, involved in a couple of companies with offices in different parts of Canada. I can see tremendous potential uses for this service. From the city's point of view, if we wanted to discuss a common issue with, say, Winnipeg, the two councils could even meet this way."

Jay Clement feels that the legal profession will probably be a major user. "Lawyers spend a lot of time ascertaining facts — interviewing a person or finding out, for example, what kind of injuries a person has, actually seeing the person and how the injury affected them. Quite often they'll have to fly from here to Toronto for a one hour meeting and it wastes a day or two. With VideoForum it takes 15 minutes."

What's in it for the hotel? "We'll be perceived as a market leader. Subtly we have an endorsement from SaskTel. We'll have 50 sales people in Saskatchewan and 500 across Canada who mention the fact that the Sheraton Centre in Regina has VideoForum," says Zaremba.

Towards the end of 1989 SaskOil was making arrangements with SaskTel to set up its own VideoForum room since company personnel frequently meet with their colleagues in Calgary, in other parts of Canada and in the United Kingdom.

Today's leaders

Each of these five customers has embraced a new business product or service provided by SaskTel in 1989 and is pleased with the initiative shown by SaskTel sales and service personnel. Although they might not think of themselves that way, they are leaders of the Information Age, using leading-edge communications technology to conduct everyday business.

Highlights in brief

Supplier Development program

SaskTel's Saskatchewan Supplier Development program continued to work closely with the province's Buy Saskatchewan Agency to assist local, private-sector businesses to develop new and replacement products.

The corporation's $264 million rural Individual Line Service program provides an economic boost to many small businesses throughout the province. Cable ploughing, telephone set conversion and other construction-related facilities, such as buildings to house digital switching equipment and cable terminal boxes are supplied by local private-sector companies.

During 1989, SaskTel awarded contracts totalling nearly $1 million to a Regina company to design, build and install microwave-radio and mobile communications towers previously purchased from out-of-province suppliers.

TeleBonds surpass $100 million objective

As a result of strong support by Saskatchewan residents, more than $106 million was raised by the first issue of TeleBonds in 1989. A total of 33,562 applications were received with 34.6 percent of the investment going to Credit TeleBonds and 65.4 percent to Interest TeleBonds. The Interest TeleBonds pay 11 percent annual interest, while the Credit TeleBonds pay 14 percent, credited to the bond holder's telephone bill each month.

TeleBonds funds are used toward programs to convert SaskTel's network and switching facilities to digital technology and for the expansion of Individual Line Service throughout Saskatchewan.

Long distance rates reduced

In December, SaskTel announced a major package of rate reductions on out-of-province long distance calls to points in Canada and the continental United States. In-province and out-of-province long distance calls will also be eligible for a new optional discount plan for direct-dialed, long distance calls.

The reductions, which became effective January 1, 1990, represent an average savings of 15 percent on long distance calls of more than 232 kilometres made to destinations in other provinces. Savings on calls made to the continental United States range from 2 to 6.8 percent depending on the distance involved.

Teleplus, a new optional long distance discount plan, offers two options to residential and business customers who direct dial (DDD) significant amounts of their long distance calls each month. There are two plan categories applicable to Canadian and continental United States destinations which provide customers with a 15 percent discount in return for paying a nominal monthly fee.

Rates for SaskTel's 800 and WATS services have also been restructured. As a result, the majority of customers using these services will experience rate reductions.

Safety a priority

At SaskTel, safety is a top priority. Over the years the corporation has initiated a number of occupational safety programs aimed at reducing the number of preventable accidents.

During the year, competitive vehicle "road-eos" and defensive driver training programs, including classroom seminars and on-the-road instruction, were continued in an effort to decrease vehicle accidents. By year end, most employees had attended a Workplace Hazardous Materials Information System seminar on procedures to be followed when handling hazardous materials.

The fifth annual SaskTel road-eo final, held at Yorkton in September, helped to sharpen employee driving skills and is part of a program aimed at reducing vehicle accidents.

Financial review

1989 earnings totalled $77.8 million, increasing $7.7 million or 12.7% from 1988 earnings of $70.1 million and representing a 7.6% return on average capital employed (7.6% in 1988).

Despite the implementation of phase II in a series of out-of-province long distance (toll) rate reductions, total operating revenues increased $40.1 million or 7.8% to $553.5 million for the year (increases of $43.9 million or 9.3% to $513.4 million in 1988). While out-of-province toll rates were declining, local access charges remained unchanged during the year, and are among the lowest in Canada.

Local service revenues, primarily representing monthly customer equipment rentals and corresponding installation charges, totalled $141.6 million ($134.1 million in 1988). Growth can be attributed to increased network accesses (number of lines in service) and the continuing marketing efforts associated with the Individual Line Service program. Network accesses, both business and residence, totalled 553,137 as at December 31 representing a growth of 2.3% from 1988 (1.7% in 1988).

Total long distance service revenues surpassed expectations in 1989 primarily due to the corporation's increased share of Telecom Canada settled revenues. Total revenues increased $39.3 million (11.4%) to $383.9 million compared to revenues of $344.6 million in 1988 (10.5%).

In-province long distance service revenues totalled $167.9 million for the year ($158.7 million in 1988), increasing $9.3 million or 5.8% (7.1% in 1988). Long distance messages within the province totalled 95.1 million (89.9 million in 1988) representing a 5.8% growth over 1988 (5.5% in 1988).

Out-of-province long distance service revenues showed significant growth in 1989 totalling $216.0 million ($185.9 million in 1988), an increase of $30.0 million or 16.2% ($22.2 million or 13.6% in 1988). Long distance messages to destinations outside the province totalled 40.3 million in 1989, an increase of 4.5 million messages or 12.5% (3.9 million or 12.3% in 1988). Although Telecom Canada system revenue growth has been affected by the on-going rate reductions throughout the system, SaskTel's revenue has continued to grow.

Other operating revenues, excluding directory operations, totalled $20.1 million for the year ($22.7 million in 1988) consisting primarily of sales of PBX and key systems, Telmart sales and miscellaneous rental revenues. Operating revenues generated from directory advertising and sales amounted to $18.8 million ($15.6 million in 1988), an increase of $3.2 million or 20.3% ($1.9 million or 13.8% in 1988). Directory publications costs (commissions paid to DirectWest) were shown as an offset to revenues in 1989.

Operating expenses for 1989 totalled $417.1 million ($394.2 million in 1988), an increase of $22.9 million or 5.8% ($37.2 million or 10.4% in 1988). The increases are primarily attributable to major projects such as the individual line service program and the switching equipment modernization program, as well as the increased requirements for data processing hardware and software facilities. The related cost increases are for depreciation charges on telephone plant and equipment, switching equipment upgrades and modernization, wage increases under the collective bargaining agreement and employee training programs.

Other income, consisting of interest income, SaskTel International net sales and other investment income, totalled $12.5 million ($11.7 million in 1988) for the year. Increased net sales activity by SaskTel International has produced a year over year increase of $0.3 million or 27.5% ($0.7 million in 1988).

Interest and related costs have grown to $75.1 million ($67.6 million in 1988) in 1989, an increase of $7.5 million or 11.0% (decrease of $2.9 million in 1988) due to the costs of servicing new debt ($106.1 million) acquired early in the year. Increased sinking fund earnings and recovery of the Canadian dollar have continued to partially offset the additional interest expense.

Cash flow from operations generated $152.5 million in 1989 ($150.0 million in 1988) and net construction activities required $163.5 million ($151.9 million in 1988).

Financing activities included net new borrowing of $89.9 million ($106.1 million through the initial TeleBond offering and repayment of $16.2 million short-term notes from the Province of Saskatchewan), proceeds from the sale of Westbridge Computer Corporation shares of $1.5 million, a $7.8 million disbursement for net repayment of long-term debt and a dividend payment of $70.1 million to the Province of Saskatchewan. The corporation's debt ratio stands at 69.0% as at December 31, 1989 (67.5% in 1988).

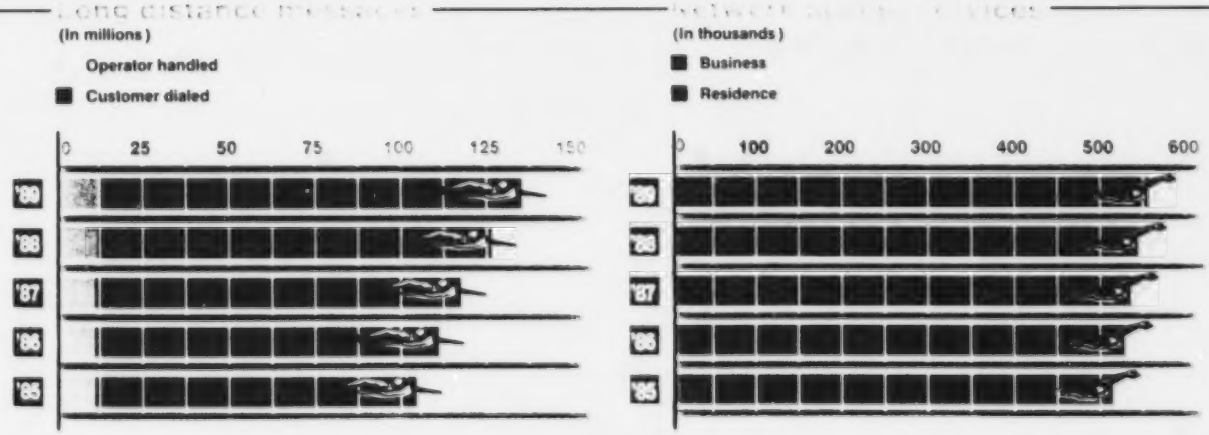
Five-year record of service

For the year ended December 31

	1989	1988	1987	1986	1985
Network access services**	553,137	540,884	531,929	522,674	508,836
Originated long distance messages					
(In thousands)					
Telephone	113,496	106,000	98,827	94,768	91,561
Data, and other voice services	21,951	19,763	18,345	15,931	12,802
Total messages	135,447	125,763	117,172	110,699	104,363
Finance					
(In thousands of dollars)					
Operating revenues	$ 553,513	$ 513,425	$ 469,548	$ 449,622	$ 423,678
Operating expenses	417,054	394,174	357,048	347,033	318,194
Other income	12,521	11,665	8,542	4,776	3,161
Interest and related costs	75,072	67,626	70,502	70,845	71,661
Net earnings	77,760	70,113	50,540	36,520	36,984
Dividend	70,113	237,721	25,270	18,260	18,492
Gross construction expenditures	177,906	163,355	153,515	144,575	108,768
Property, plant and equipment *	1,530,393	1,448,032	1,357,622	1,301,163	1,260,355
Long-term debt - gross *	852,804	759,195	772,140	780,872	760,385
Financial ratios					
Return on average capital employed	7.6%	7.6%	5.6%	4.3%	4.4%
Debt as a percent of year-end capital *	69.0%	67.5%	74.1%	76.6%	77.7%
Internally generated funds as a percent of net construction expenditures	98.4%	47.7%	78.3%	72.0%	95.2%
Employees and payroll					
Number of employees *	4,373	4,525	4,508	4,504	4,458
Salaries earned (thousands of dollars)	$ 169,041	$ 166,893	$ 156,169	$ 156,794	$ 147,908

** Represents each working facility having primary connection to our network as at December 31

* At December 31



Management's responsibility for financial statements

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been examined and approved by the Board of Directors. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organization structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal auditors and the external auditors. The latter have free access to this committee to discuss their audit work and their opinion on adequacy of internal financial controls, and the quality of financial reporting.

J.A. Coombs
President and C.E.O.

B. Hoffart
Treasurer

Regina, Saskatchewan
March 1, 1990

Auditors' report

To the Members
of the Legislative Assembly
Province of Saskatchewan:

We have examined the consolidated statement of financial position of Saskatchewan Telecommunications as at December 31, 1989 and the consolidated statements of operations, retained earnings and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte & Touche
Chartered Accountants

Regina, Saskatchewan
March 1, 1990

Consolidated statement of operations

For the year ended December 31

	1989	1988
	(Thousands of dollars)	
Operating revenues		
Long distance service	$ 383,878	$ 344,579
Local service	141,607	134,063
Other	31,107	38,366
Uncollectible operating revenues	(3,079)	(3,583)
	553,513	513,425
Operating expenses		
Maintenance and operations	154,322	154,043
Depreciation (Note 2)	105,692	95,333
General and administrative	157,040	144,798
	417,054	394,174
Net operating revenue	136,459	119,251
Other income	12,521	11,665
	148,980	130,916
Interest and related costs (Note 3)	75,072	67,626
Net earnings, before extraordinary item	73,908	63,290
Extraordinary item (Note 4)	3,852	6,823
Net earnings	$ 77,760	$ 70,113

Consolidated statement of retained earnings

For the year ended December 31

	1989	1988
	(Thousands of dollars)	
Retained earnings at beginning of year	$ 70,113	$ 237,721
Net earnings	77,760	70,113
	147,873	307,834
Dividends (Note 5)	70,113	237,721
Retained earnings at end of year	$ 77,760	$ 70,113

See accompanying notes

Consolidated statement of financial position

As at December 31

	1989	1988
	(Thousands of dollars)	
Assets		
Property, plant and equipment (Note 6)	$ 942,304	$ 876,031
Deferred charges (Note 7)	13,127	16,623
Investments (Note 8)	31,856	29,321
Investment in leases (Note 9)	15,205	16,101
Notes receivable (Note 10)	23,925	25,420
	1,026,417	963,496
Current assets		
Accounts receivable	84,181	77,377
Inventory for resale	7,668	5,860
Prepayments	9,034	6,832
	100,883	90,069
	$ 1,127,300	$ 1,053,565
Liabilities and province's equity		
Long-term debt,		
Province of Saskatchewan (Note 11)	$ 605,089	$ 623,664
TeleBonds (Note 12)	106,111	-
Obligations under capital leases (Note 13)	2,648	-
	713,848	623,664
Province of Saskatchewan's equity		
Equity advance (Note 14)	250,000	250,000
Retained earnings	77,760	70,113
	327,760	320,113
Current liabilities		
Bank overdraft	2,911	5,370
Accounts payable	38,074	39,513
Notes payable (Note 15)	17,300	33,500
Accrued interest	22,222	15,942
Service billed in advance	6,561	6,976
Current portion of long-term debt (Note 11)	(1,376)	8,487
	85,692	109,788
	$ 1,127,300	$ 1,053,565

Approved by the Board

Maureen J. Barrie

Brenda J. Fahselt

Consolidated statement of changes in cash position

For the year ended December 31

	1989	1988
	(Thousands of dollars)	
Cash from operations		
Net earnings	$ 77,760	$ 70,113
Add: Items not affecting cash (Note 16)	83,124	72,280
Total from operations	160,884	142,393
Net change in working capital (Note 17)	(6,388)	(6,246)
Cash generated by operating activities	154,496	136,147
Cash from financing		
Proceeds from long-term debt	106,111	20,779
Repayment of notes payable	(16,200)	2,700
Proceeds from equity advance	-	250,000
Net investment in Westbridge	1,500	(10,395)
Investment in notes receivable	(2,000)	10,800
Repayment of long-term debt	(7,790)	(2,047)
Dividend payment	(70,113)	(262,991)
Cash generated by financing activities	11,508	8,846
Cash for construction		
Gross construction expenditures	(177,906)	(163,355)
Change in materials and supplies	43	45
Net salvage, capital contributions and other items not requiring cash	14,318	11,417
Cash used by construction activities	(163,545)	(151,893)
Increase (decrease) in cash during the year	2,459	(6,900)
Cash at beginning of year	(5,370)	1,530
Cash at end of year	$ (2,911)	$ (5,370)

See accompanying notes

Notes to consolidated financial statements

Note 1 — The corporation

Saskatchewan Telecommunications (SaskTel), a provincially owned Crown Corporation, markets and supplies a range of voice, data, text and image products, systems and services. Its membership in Telecom Canada enables it to extend its services throughout Canada and to connect its customers to the rest of the world.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

Note 2 — Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidation
The consolidated financial statements include the accounts of the corporation's wholly-owned subsidiaries, Saskatchewan Telecommunications International, Inc. and Nu-Net Communications Ltd. All significant intercompany transactions and balances have been eliminated.

SaskTel has a 58.9% (61.1% in 1988) interest in Westbridge Computer Corporation (Westbridge) which is not consolidated because the corporation intends to reduce its holdings of Westbridge class A common shares to 35% during 1991.

Property, plant and equipment
Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily quantifiable and identifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Deferred charges
Discount and issue expenses relating to long-term debt and TeleBonds are deferred and amortized on a straight-line basis over the term of the respective debt issue.

The cost of Westbridge Computer Corporation shares in excess of underlying net assets is being amortized on a straight-line basis over 10 years ending December 31, 1998.

Investments
The corporation's investment in Westbridge Computer Corporation is accounted for by the equity method. Under this method, SaskTel's proportionate share of Westbridge's earnings is reflected in the consolidated statement of operations and added to the carrying value of the investment.

The corporation's portfolio investments are carried at cost and dividend income is reflected when received.

Depreciation
Depreciation is computed on the straight-line, equal-life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Pension costs
The cost of pension benefits earned by employees who are members of the corporation's defined benefit plan is determined using the accrued benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

This plan is actuarially valued at least every three years. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan.

Foreign currency translations
Monetary assets and liabilities denominated in foreign currencies are stated in Canadian dollars at the foreign exchange rates prevailing at December 31. Foreign exchange gains or losses arising on translation are included in deferred charges and amortized on a straight-line basis over the remaining life of the related assets and liabilities. Revenues and expenses are translated at rates prevailing at the respective transaction dates.

Leases
Where the corporation is the lessor, rental revenues from operating leases are recognized as service is rendered to customers. Revenues from sales-type lease transactions are recognized at the inception of the lease. The investment in sales-type leases represents the present value of future lease payments receivable. Finance income is recognized in a manner which produces a constant rate of return over the term of the lease contract.

Where the corporation is the lessee, assets recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest. All other leases are accounted for as operating leases.

Inventories
Materials, supplies and inventory for resale are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Note 3 — Interest and related costs

	1989	1988
	(Thousands of dollars)	
Interest expense	$ 95,476	$ 83,601
Amortization of discount	1,004	540
Amortization of unrealized net foreign exchange losses	(1,233)	(814)
	95,247	83,327

Less: Sinking fund earnings	15,710	13,853
Gain on debt retirement	-	259
Interest charged to construction	2,467	1,488
Interest on temporary cash investments	1,998	101
	$ 75,072	$ 67,626

Note 4 — Extraordinary item

An extraordinary gain of $3,852,000 resulted from the sale of systems software and other assets to DirectWest Publishers Ltd. (DirectWest). Effective April 1, 1989, the corporation agreed to pay DirectWest a commission for publishing all its telephone directories throughout the province. While the corporation has contracted DirectWest to perform these services for the next seven years and has acquired a 10% interest in that company, it retains ownership of the directory publishing rights.

Note 5 — Dividends

During the year, a dividend of $70,113,000, was paid to Crown Investments Corporation of Saskatchewan.

Note 6 — Property, plant and equipment

	1989	1988
	(Thousands of dollars)	
Buildings, plant and equipment	$ 1,483,564	$ 1,384,003
Land	8,508	8,297
Plant under construction	16,271	39,848
Materials and supplies	15,841	15,884
Assets under capital leases	6,209	-
	1,530,393	1,448,032
Less: Accumulated depreciation	588,089	572,001
	$ 942,304	$ 876,031

The composite depreciation rate on the average depreciable telecommunications property in service was 7.37% in 1989 (7.20% in 1988).

As at December 31, 1989 the ratio of accumulated depreciation to depreciable telecommunications property was 39.5% (41.3% in 1988).

Note 7 — Deferred charges

	1989	1988
	(Thousands of dollars)	
Cost of Westbridge shares in excess of underlying net assets	$ 5,693	$ 7,020
Unamortized TeleBond issue costs	2,849	-
Unamortized discount on long-term debt	3,809	4,821
Unamortized unrealized net foreign currency losses	776	4,782
	$ 13,127	$ 16,623

Note 8 — Investments

	1989	1988
	(Thousands of dollars)	
Accounted for by the equity method:		
Investment in Westbridge Computer Corporation	$ 30,518	$ 28,264
Portfolio investments at cost:		
Telesat Canada	999	999
Other	339	58
	$ 31,856	$ 29,321

On March 31, 1989 SaskTel sold 166,667 shares of Westbridge Computer Corporation reducing the corporation's ownership from 61.1% to 58.9%. On June 30, 1989 all outstanding class B shares (held by SaskTel) were converted to class A shares which are traded on the Toronto Stock Exchange and had a closing price at December 31, 1989 of $12.50 per share ($8.75 in 1988).

Note 9 — Investment in leases

	1989	1988
	(Thousands of dollars)	
Total minimum lease payments receivable	$ 28,577	$ 30,654
Less: Unearned finance income	8,379	9,168
Investment in leases	20,198	21,486
Less: Current portion included in accounts receivable	4,993	5,385
	$ 15,205	$ 16,101

Finance income earned during the year amounted to $3,062,000 ($3,098,000 in 1988).

Note 10 — Notes receivable

	1989	1988
	(Thousands of dollars)	
Cable operators, primarily due in 1996	$ 23,070	$ 25,403
9 3/4% Westbridge Computer Corporation debenture, due January 1, 1992	1,800	1,800
11% DirectWest Publishers Ltd., due April, 1996	1,885	-
Other	25	626
	26,780	27,829
Less: Current portion included in accounts receivable	2,855	2,409
	$ 23,925	$ 25,420

Note 11 — Long-term debt, Province of Saskatchewan

Rate (%)	Issue date	Due date	1989		1988
			(Thousands of dollars)		
7.416	1969	1989	$ -	(b)	$ 10,100
7.968	1970	1990	9,806	(b)	9,806
4.875	Oct. 1, 1965	Oct. 1, 1990	6,835	(a)	7,036
7.000	1971	1991	9,461	(b)	9,461
17.840	Oct. 1, 1981	Oct. 1, 1991	59,600	(c)	59,625
7.403	1972	1992	15,093	(b)	15,093
7.563	1973	1993	8,644	(b)	8,644
13.375	Apr. 1, 1981	Apr. 1, 1996	73,955		73,955
7.750	Feb. 15, 1973	Feb. 15, 1998	5,000		5,000
8.250	Dec. 3, 1973	Dec. 3, 1998	15,000		15,000
10.000	Dec. 2, 1974	Dec. 2, 1999	25,000		25,000
11.750	June 2, 1980	June 2, 2000	25,000		25,000
9.875	Nov. 3, 1975	Nov. 3, 2000	2,222		2,222
10.250	Apr. 1, 1976	Apr. 1, 2001	25,000		25,000
9.000	Feb. 1, 1977	Feb. 1, 2002	25,000		25,000
13.000	Dec. 1, 1982	Dec. 1, 2002	75,000		75,000
12.250	Mar. 30, 1983	Mar. 30, 2003	25,000		25,000
9.500	June 15, 1978	June 15, 2003	30,000		30,000
11.650	1983	2003	8,182	(b)	8,182
12.966	1984	2004	28,956	(b)	28,956
10.000	May 15, 1979	May 15, 2004	40,000		40,000
9.583	1986	2006	32,598	(b)	32,598
8.700	Nov. 15, 1976	Nov. 15, 2006	57,589	(a)	59,279
10.241	1987	2007	13,597	(b)	13,597
8.625	May 15, 1977	May 15, 2007	53,454	(a)	55,024
9.250	Apr. 27, 1978	Apr. 15, 2008	53,274	(a)	54,838
10.092	1988	2008	20,779	(b)	20,779
			744,045		759,195
Less: Equity in sinking funds			140,332		127,044
Due within one year			(1,376)		8,487
			$ 605,089		$ 623,664

(a) Represents long-term debt repayable in U.S. dollars having a U.S. face value of $147,737,000 converted to $156,386,000 Canadian at the time of issue. It is recorded in Canadian dollar equivalent of $171,152,000 based on the foreign exchange rate prevailing as at December 31, 1989 of 1.1585 (1.1925 in 1988).

(b) Long-term debt totalling $147,116,000 received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(c) During the year, long-term debt repayable in U.S. dollars having a face value of $50,000,000 at 16.375% was converted to a fixed Canadian obligation of $59,600,000 at 17.84%.

(d) Under conditions attached to a portion of long-term debt, the corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes investments denominated in U.S. dollars held in the fund having a U.S. dollar value of $4,289,000 recorded at $4,969,000 Canadian dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1989.

(e) Total sinking fund installments and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1990 — $(1,376,000)
1991 — $65,671,000
1992 — $ 8,398,000
1993 — $ 7,050,000
1994 — $ 4,366,000

In 1990 the sinking fund equity attached to maturing long-term debt will exceed both the debt and the annual sinking fund installments.

Note 12 — TeleBonds

On March 1, 1989, the corporation issued its initial offering of TeleBonds. The amounts outstanding at December 31, 1989 were as follows:

Type	Rate (%)	Due date	1989	1988
			(Thousand of dollars)	
Interest TeleBonds	11.0	March 1, 1994	$ 69,592	$ -
Credit TeleBonds	14.0	March 1, 1994	36,519	-
			$ 106,111	$ -

Interest TeleBonds pay interest annually on March 1st until maturity, commencing in 1990. Credit TeleBonds pay interest monthly by way of credit to the designated customer's telephone account.

Repayment of TeleBond principal and interest is unconditionally guaranteed by the Province of Saskatchewan. The rate of interest may be increased at the discretion of the corporation.

TeleBonds are redeemable in whole or in part at the discretion of the bondholder on March 1 each year prior to maturity.

Note 13 — Commitments

a) Construction
As at December 31, 1989 the corporation was committed in the amount of approximately $43,400,000 for construction materials, equipment and services related to switching equipment modernization, construction of buildings and computer equipment.

b) Leases
The future minimum lease payments under the capital and operating leases of the corporation, together with the obligations under capital leases after deducting interest on the minimum lease payments, are as follows:

	Capital leases	Operating leases
	(Thousands of dollars)	
1990	$ 2,438	$ 35,008
1991	2,438	35,314
1992	383	34,214
1993	-	34,414
1994	-	34,614

Total minimum lease payments	$ 5,259	$ 173,564
Less: Amount representing interest	586	
Current portion included in accounts payable	2,025	
Obligations under capital leases	$ 2,648	

Capital leases cover data terminal and related equipment leased from Westbridge through contracts maturing at various dates in 1992. The major portion of the operating lease commitment relates to a facilities management agreement with Westbridge over a seven year period ending in 1995. Other commitments are for vehicles, buildings and satellite channel leases.

Note 14 — Equity advance

The equity advance was received from Crown Investments Corporation of Saskatchewan (CIC), representing the Province of Saskatchewan's contributed equity in SaskTel. The advance is non-interest bearing and repayable at the discretion of CIC.

Note 15 — Notes payable

Notes payable represents interim capital financing arranged under established lines of credit. As at December 31, 1989 there were $17,300,000 ($33,500,000 in 1988) of outstanding notes payable to the Province of Saskatchewan bearing interest at a rate of 12.25% (11.0% in 1988).

Note 16 — Items not affecting cash

	1989	1988
	(Thousands of dollars)	
Depreciation expense	$ 105,692	$ 95,333
Sinking fund earnings	(15,710)	(13,853)
Investment income	(2,944)	(8,689)
Interest charged to construction	(2,467)	(1,488)
Other	(1,447)	977
	$ 83,124	$ 72,280

Note 17 — Net change in working capital

	1989	1988
	(Thousands of dollars)	
(Increase) decrease in current assets:		
Accounts receivable	$ (6,804)	$ (6,235)
Prepayments	(2,202)	(1,438)
Inventory held for resale	(1,808)	183
Increase (decrease) in current liabilities:		
Accounts payable	(1,439)	1,503
Interest accrued	6,280	(675)
Service billed in advance	(415)	416
	$ (6,388)	$ (6,246)

Note 18 — Pension plans

The corporation maintains pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is maintained for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan by October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established by the Superannuation (Supplementary Provisions) Act and employee contributions are matched by the corporation.

The defined benefit plan provides for pensions at retirement which are based on employees years of service and their highest five years earnings. The plan requires contributions from both employees and the corporation. The corporate contribution rate of 100 percent of employee contributions is based on the latest actuarial valuation of the plan (December 31, 1987).

	1989	1988
	(Thousands of dollars)	
Plan assets at market related value	$ 369,320	$ 335,791
Present value of accrued pension benefits	354,487	331,846
Surplus	$ 14,833	$ 3,945

Pension expense (defined benefit plan) for the year amounted to $3,990,000 ($4,785,000 in 1988).

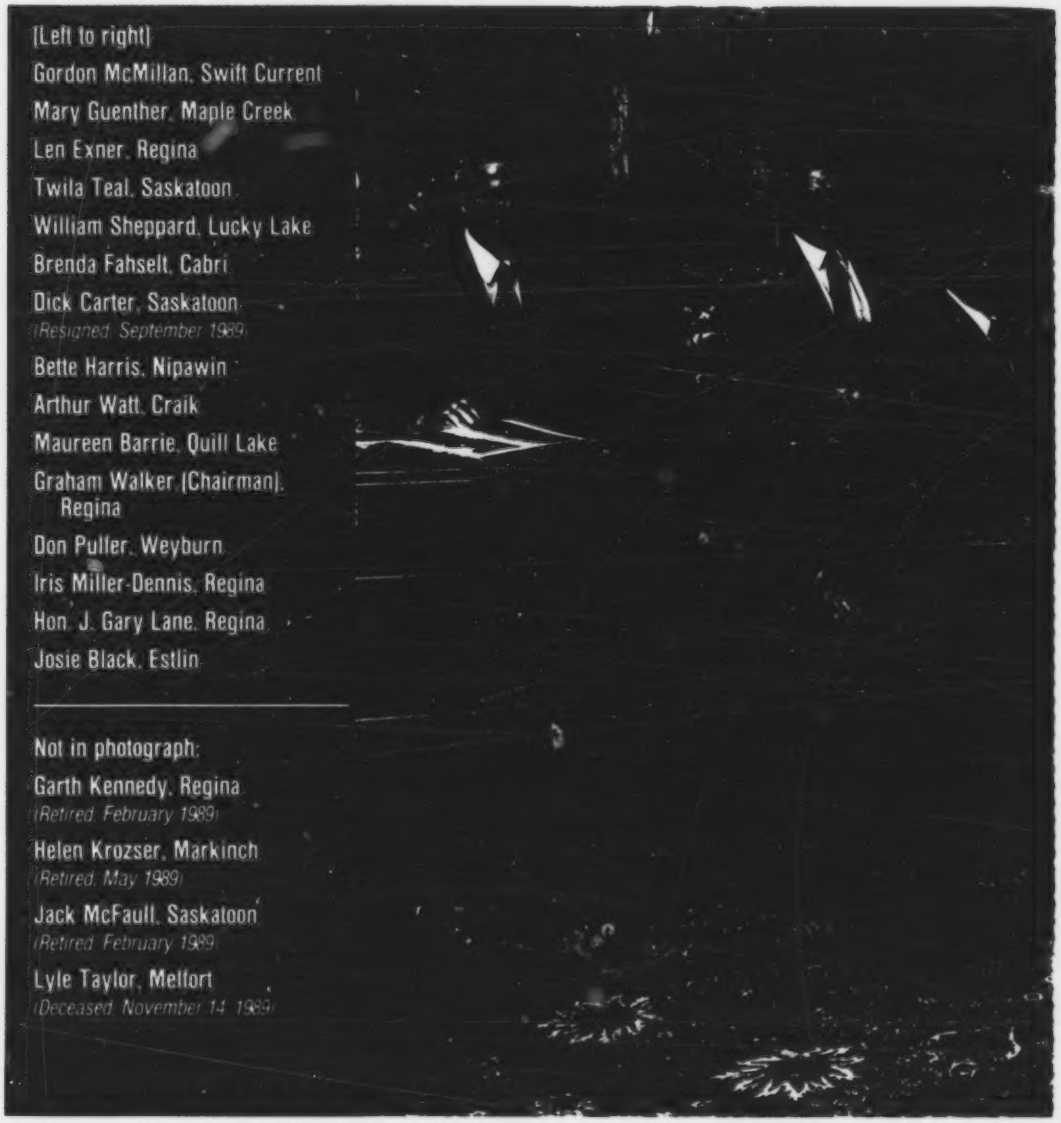
Note 19 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown - controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and the notes thereto.

Board of directors 1989



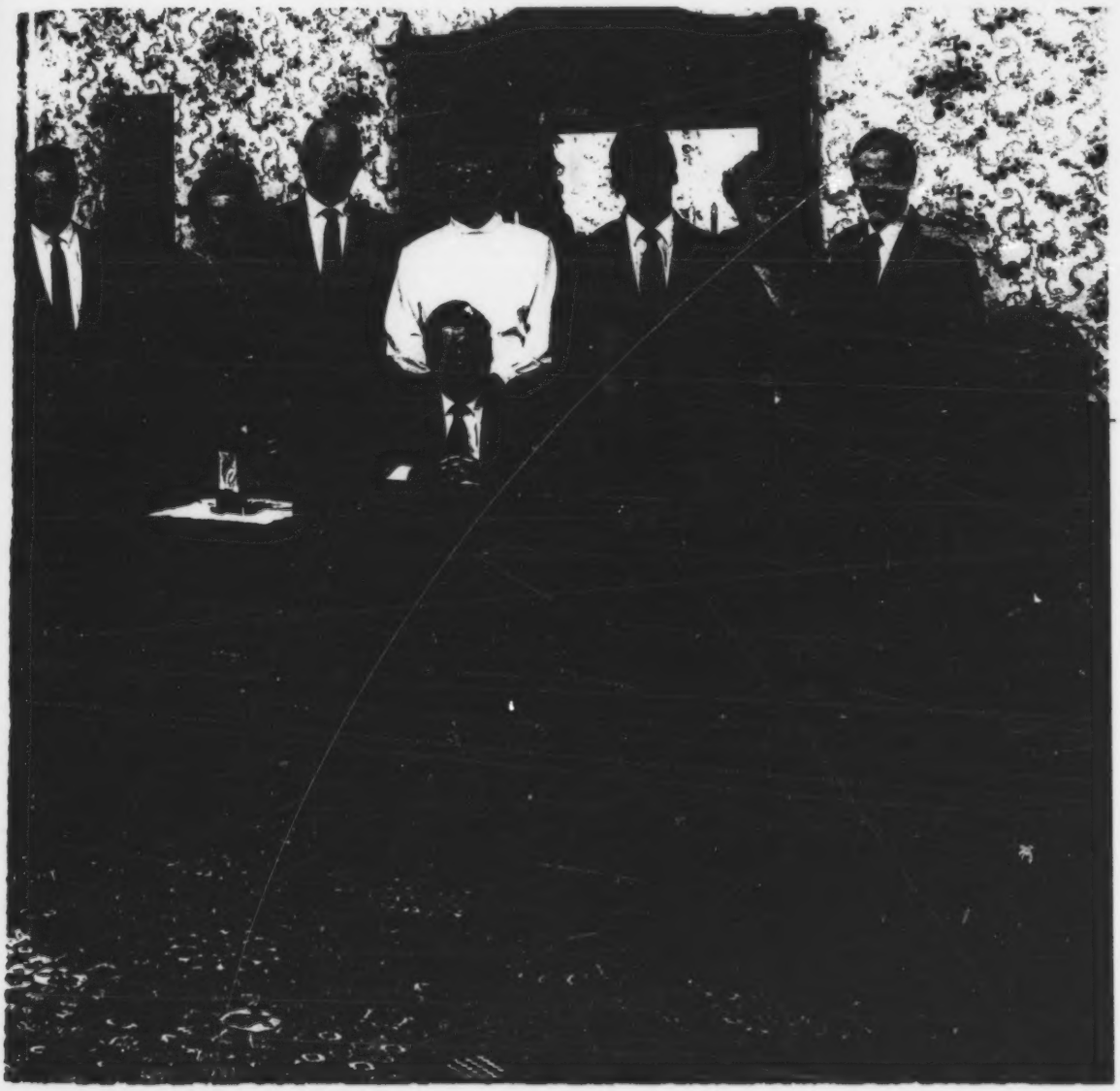
(Left to right)
Gordon McMillan, Swift Current
Mary Guenther, Maple Creek
Len Exner, Regina
Twila Teal, Saskatoon
William Sheppard, Lucky Lake
Brenda Fahselt, Cabri
Dick Carter, Saskatoon
(Resigned September 1989)
Bette Harris, Nipawin
Arthur Watt, Craik
Maureen Barrie, Quill Lake
Graham Walker (Chairman), Regina
Don Puller, Weyburn
Iris Miller-Dennis, Regina
Hon. J. Gary Lane, Regina
Josie Black, Estlin

Not in photograph:
Garth Kennedy, Regina
(Retired February 1989)
Helen Krozser, Markinch
(Retired May 1989)
Jack McFaull, Saskatoon
(Retired February 1989)
Lyle Taylor, Melfort
(Deceased November 14 1989)

Committees of the board

Audit committee
Bette Harris (Chairman)
Maureen Barrie
Dick Carter
Brenda Fahselt
Twila Teal

Corporate contributions committee
Lyle Taylor (Chairman)
Mary Guenther
Josie Black
William Sheppard
Art Watt



Management resource and compensation committee
Graham Walker (Chairman)
Len Exner
Gordon McMillan
Iris Miller-Dennis

Public policy committee
Len Exner (Chairman)
Brenda Fahselt
Iris Miller-Dennis
Don Pulfer
Twila Teal
Graham Walker

rporate directory 1989

Executive officers

James A. Coombs
President &
Chief Executive Officer

David R. Carlin
Vice President
Marketing and
Corporate Development

B. William Lambert
Vice President
Engineering

John C. Meldrum
Vice President
and Corporate Counsel
(Corporate Secretary)

H. James Osborne
Vice President
Corporate Affairs

Barry E. Roberts
Vice President
Operations North

George A. Spencer
Vice President
Operations South

Fred E. Yeo
Vice President
Human Resources,
Supplies and Services

Tom S. Hope
President
SaskTel International

Senior operating managers

Dave Birnie
General Manager
Procurement and
Materiel

Phil Bohay
General Manager
Mobile Communications

Doug Campbell
General Manger
Systems and Methods

Basil Ciepliski
General Manager
Marketing - Sales

Dennis Czinkota
General Manager
Buildings, Vehicles
and Services

Gord Farmer
General Manager
Operations North
Districts

David Harvey
General Manager
Access Network
Engineering

Moe Hawrysh
General Manager
Network Planning
and Provisioning

Betty Hoffart
Treasurer

Claire Ingles
General Manager
Marketing - Service

Jack Lax
General Manager
Industrial Relations

Ron Luebke
General Manager
Operations Saskatoon

George Mueske
General Manager
Corporate Information
Systems

Don Savaria
General Manager
Public Affairs
and Advertising

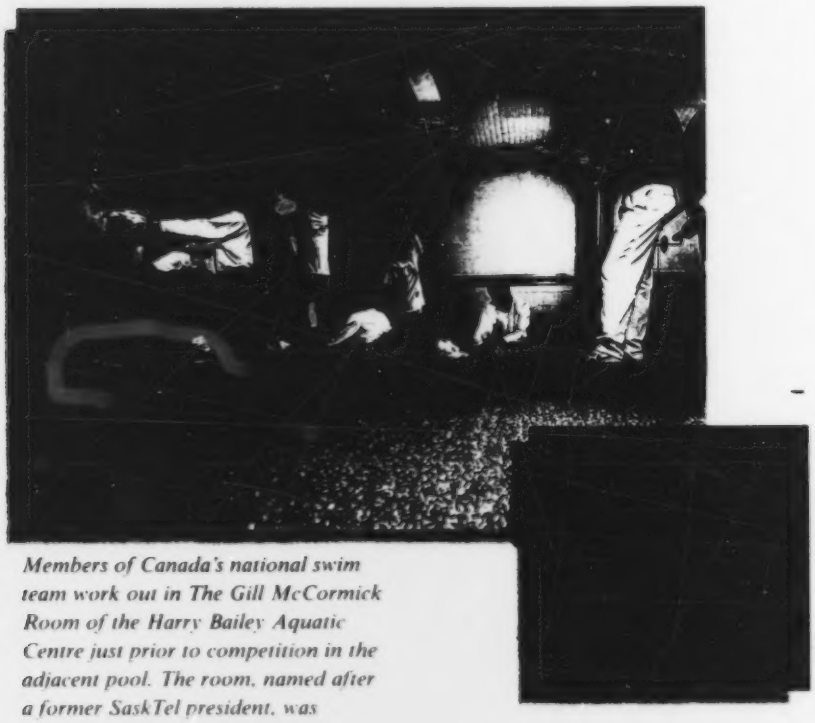
Dave Schultz
General Manager
Marketing and
Corporate Development

Norm Stepan
General Manager
Policy, Rates and
Regulatory Affairs

Randy Stephanson
General Manager
Operations South
Districts

Bill Wendel
General Manager
Operations Regina

Greg Wensel
General Manager
Human Resources



Members of Canada's national swim team work out in The Gill McCormick Room of the Harry Bailey Aquatic Centre just prior to competition in the adjacent pool. The room, named after a former SaskTel president, was formally presented to the City of Saskatoon during the 1989 Jeux Canada Games.